

ANTI-MONEY LAUNDERING ANNUAL REPORT, 2022



Investigation Bureau, Ministry of Justice,
Republic of China (Taiwan)

法務部調查局一一一年洗錢防制工作年報

Investigation Bureau, Ministry of Justice

Anti-Money Laundering Annual Report, 2022



PREFACE

In 2022, the world is gradually recovering from the aftermath of the COVID-19 outbreak. The Anti-Money Laundering Division (AML/D) of the Investigation Bureau has acted actively in concert with the easing of restrictions in our country and had our staff attend several face-to-face meetings held by international organizations, including the Egmont Group (EG) annual working and regional group meeting, the annual meeting of the Asia/Pacific Group on Money Laundering (APG), the plenary and working group meetings of the Financial Action Task Force on Money Laundering (FATF), and the annual meeting of the Asset Recovery Interagency Network Asia Pacific (ARIN-AP). The AML/D also signed memoranda of understanding (MOUs) with a total of five jurisdictions, which is the highest number in the past three years. Furthermore, in September, our country was elected as the North Asia Representative of the APG Governance Committee (GC) again after an 11-year hiatus, which indicates that our country's performance in anti-money laundering and combating the financing of terrorism (AML/CFT) is well recognized by the international community.

The joint efforts of all competent authorities and reporting entities are necessary if we are going to enhance the effectiveness in AML, CFT, and counter-proliferation financing (CPF). The public-private partnership (PPP) is one of the keys to improve the development and effectiveness of the AML mechanism. On 26 September 2022, the AML/D and the Anti-Money Laundering Office, Executive Yuan co-constructed the "Information Exchange Platform for Preventing Money Laundering, Terrorist Financing, and Proliferation Financing" (hereafter referred to as the Information Exchange

Platform) that features the participation of the public and private sectors. Besides, the AMLD and the Australian Transaction Reports and Analysis Centre co-organized a webinar to share the public-private collaboration mechanisms, with the hope that the establishment of the Information Exchange Platform will help enhance the practitioners' ability in identifying suspicious transaction patterns on the one hand, and optimize the reporting mechanism's performance on the other, thereby increasing the overall effectiveness of our country in preventing money laundering.

To meet the readers' need for a deeper understanding of the criminal patterns and trends of money laundering and terrorist financing, this annual report includes six important case studies covering healthcare fraud, official corruption and negligence, corporate corruption, and stock market crimes. They are very useful references for the practitioners to detect crimes and understand emerging money laundering approaches from suspicious transactions. Besides, in view of the high risks of the misuse (e.g. money laundering) of China UnionPay cards in Taiwan, it is necessary to compile a strategic analysis report on the status quo of China UnionPay cards and associated risks of money laundering, in which we collect and analyze the relevant patterns whereby we provide policy recommendations and trend analysis that are included in this annual report. Finally, to keep the AML/CFT practitioners in Taiwan abreast of the FATF's latest case studies, and given the fact that drug-related crimes are among the highest-risk category in our country's risk assessment report on money laundering, terrorist financing, and proliferation financing, the AMLD specifically translates and includes the document titled "Money Laundering from Fentanyl and Synthetic Opioids" (published by the FATF in November 2022) in this annual report with the FATF's permission. This document examines and analyzes the patterns and

cases of transnational money laundering rising to drug-related crimes in 40 countries. It not only helps the reporting entities and law enforcement agencies identify and assess the money laundering risks of drug trafficking, but also prompts them to contemplate the ways of strengthening the parallel financial investigations that remain wanting in the endeavors of tracking down drug-related crimes, so as to deter drug cartels from using national financial systems to launder their criminal proceeds.

Chun-Li Wang

Director General

Ministry of Justice Investigation Bureau

May 2023

Editor's Note

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I. Purpose

The FATF revised its 40 Recommendations in February 2012, among which Recommendation 33 states: “Countries should maintain comprehensive statistics on matters relevant to the effectiveness and efficiency of their AML/CFT systems. This should include statistics on the STRs received and disseminated; on money laundering and terrorist financing investigations, prosecutions and convictions; on property frozen, seized and confiscated; and on mutual legal assistance or other international requests for cooperation.” Accordingly, this annual report compiles and analyzes the statistical data on the AML/CFT tasks undertaken by the reporting entities in Taiwan over the past year.

II. Contents

This annual report comprises the following six major parts:

- Part 1. Introduction to the AMLD
- Part 2. Assignments Review (incl. statistical data)
- Part 3. Important Cases
- Part 4. Strategic Analysis Report
- Part 5. Foreign Data on Anti-Money Laundering
- Part 6. AMLD Chronicle

III. Readers' Guide

- (I) Unless otherwise specified, the years quoted in this annual report refer to the Gregorian calendar. The dates of international events, as well as the publication dates of reference material and the dates of foreign AML data in the strategic analysis report, are shown in

the Gregorian calendar. Suspicious transaction reports (STRs) and currency transaction reports of a certain amount or more (hereafter referred to as CTRs), as well as those notified by customs, are shown in number of cases. Monetary amounts are expressed in NT\$. Special cases are specified in the respective tables (figures).

- (II) In this annual report, the Ministry of Justice Investigation Bureau is acronymed “MJIB,” and the Anti-Money Laundering Division of MJIB is acronymed “AMLD.”
- (III) The decimal fraction of each percentage figure is round up to the nearest integer, and slight discrepancies may occur in the sums.
- (IV) 9 January 2023 is the benchmark date of the statistical data in Part 2: Assignments Review of this annual report.

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The massive profits and wealth generated by drug-related crimes enable criminal syndicates to infiltrate and corrupt all levels of government, legal businesses, financial institutions, and all social classes. In view of this problem, the United Nations (UN) drew up the “United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances” (known as the Vienna Convention) in 1988 at its conference in Vienna. The convention requires the signatories to take legislative measures against money laundering implicated in drug-related crimes. The Group of Seven (G7) understood that money laundering implicated in drug-related crimes poses grave threats to the banking system and financial institutions, hence the resolution to establish the FATF at the G7 Summit in 1989 so as to develop and improve international countermeasures against money laundering. The FATF issued its 40 Recommendations in 1990 as the international AML standards, and it revised these Recommendations in 1996 to include other major criminal acts besides drug-related crimes into the predicate offenses of money laundering. Since 2001, the FATF has incorporated CFT and CPF successively into the scope of its mission.

Perceiving the dangers posed by money laundering offenses and following the global trends, the government of Taiwan issued the draft of “Money Laundering Control Act.” The act was passed by the Legislative Yuan on 23 October 1996 and enacted on 23 April 1997 after being promulgated by the President. The effective implementation of this act over the past two decades has earned it positive recognition from international AML organizations. The act was amended in 2003, 2006, 2007, 2008, 2009, 2016, and 2018, with the aims of addressing practical issues, meeting international AML/CFT standards and requirements, as well as facilitating the actual implementation.

To prevent criminals from using channels such as financial institutions for money laundering and to identify suspicious transactions, the anti-money laundering laws in most countries generally require financial institutions to file CTRs and STRs. An authority responsible for handling and analyzing these reports is called “Financial Intelligence Unit” (FIU). Drawing on

the legal systems of different countries, the “Money Laundering Control Act” of Taiwan has since its drafting period in 1996 required financial institutions to file STRs to the agencies designated by the Executive Yuan. To perform the tasks involving FIU and AML, the MJIB set up the “Money Laundering Prevention Center” (MLPC) on 23 April 1997 in accordance with the “Guidelines for the Establishment of the MJIB Money Laundering Prevention Center” approved by the Executive Yuan. The Legislative Yuan passed the “Organic Act for Investigation Bureau, Ministry of Justice” in 2007. Article 2, Paragraph 7 of the act provides that the MJIB is in charge of “prevention against money laundering,” and Article 3 requires the MJIB to establish the “Anti-Money Laundering Division.” According to Article 7 of the “Counter-Terrorism Financing Act” promulgated in July 2016, the MJIB is responsible for handling reports on property or property interests of the designated sanctioned individuals, legal persons, and entities. Currently, the AMLD comprises the Section of STR Analysis, the Section of AML/CFT Strategic Planning, and the Section of Illegal Financial Flow Tracing, with 29 members of staff in 2022. The organizational hierarchy and operation flow of the AMLD are respectively shown in Figures A and B. Pursuant to Article 9 of the “Regulations Governing Departmental Affairs of the Investigation Bureau, Ministry of Justice,” the AMLD exercises the following authority:

1. Researching AML strategies and advising on the formulation of relevant regulations;
2. Analyzing, handling, and utilizing STRs filed by financial institutions;
3. Analyzing, handling, and utilizing CTRs filed by financial institutions and international currency and securities transportation reports (ICTRs) filed by customs;
4. Assisting other domestic law enforcement agencies in investigating money laundering cases as well as the coordination and communication with respect to AML operations;
5. Information exchange, and the liaison, planning, and implementation of cooperation in investigating transnational money laundering cases with

- foreign counterparts;
- 6. Compilation and publication of AML Annual Report, handbook revision, and relevant data archiving and management.
- 7. Other AML-related matters.

Figure A: Organizational Chart of the AMLD

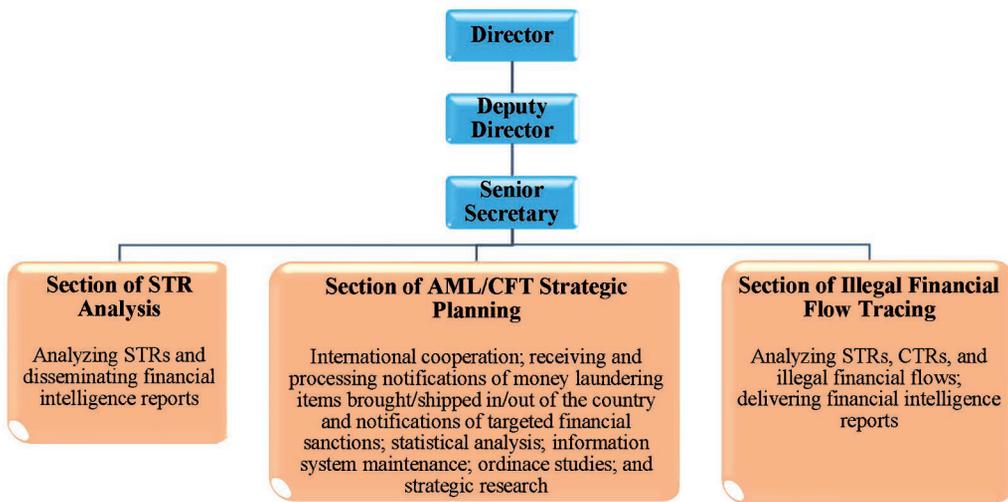
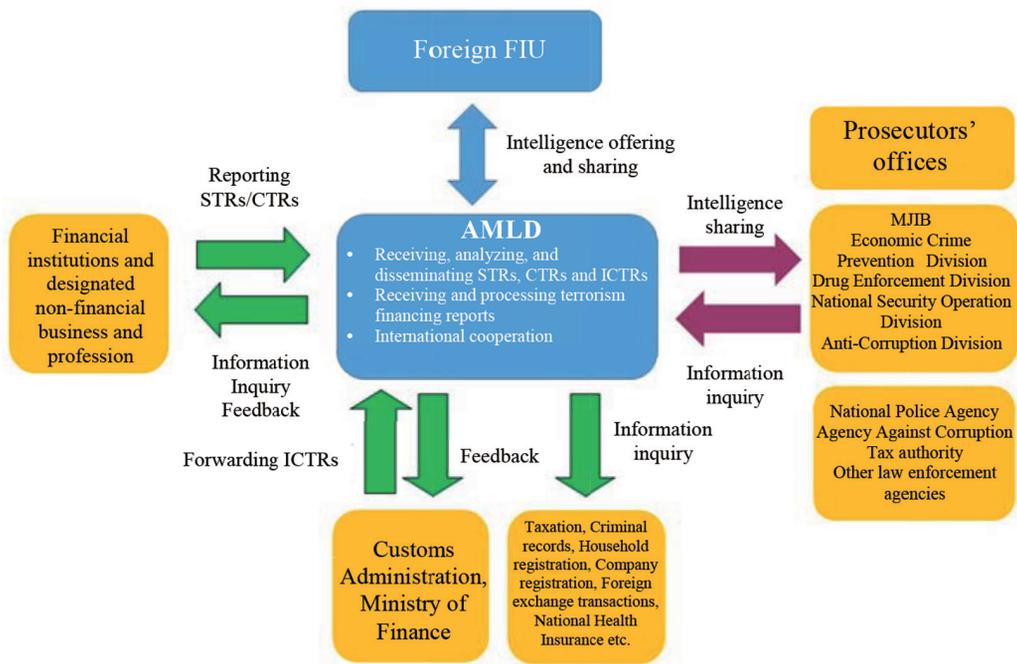
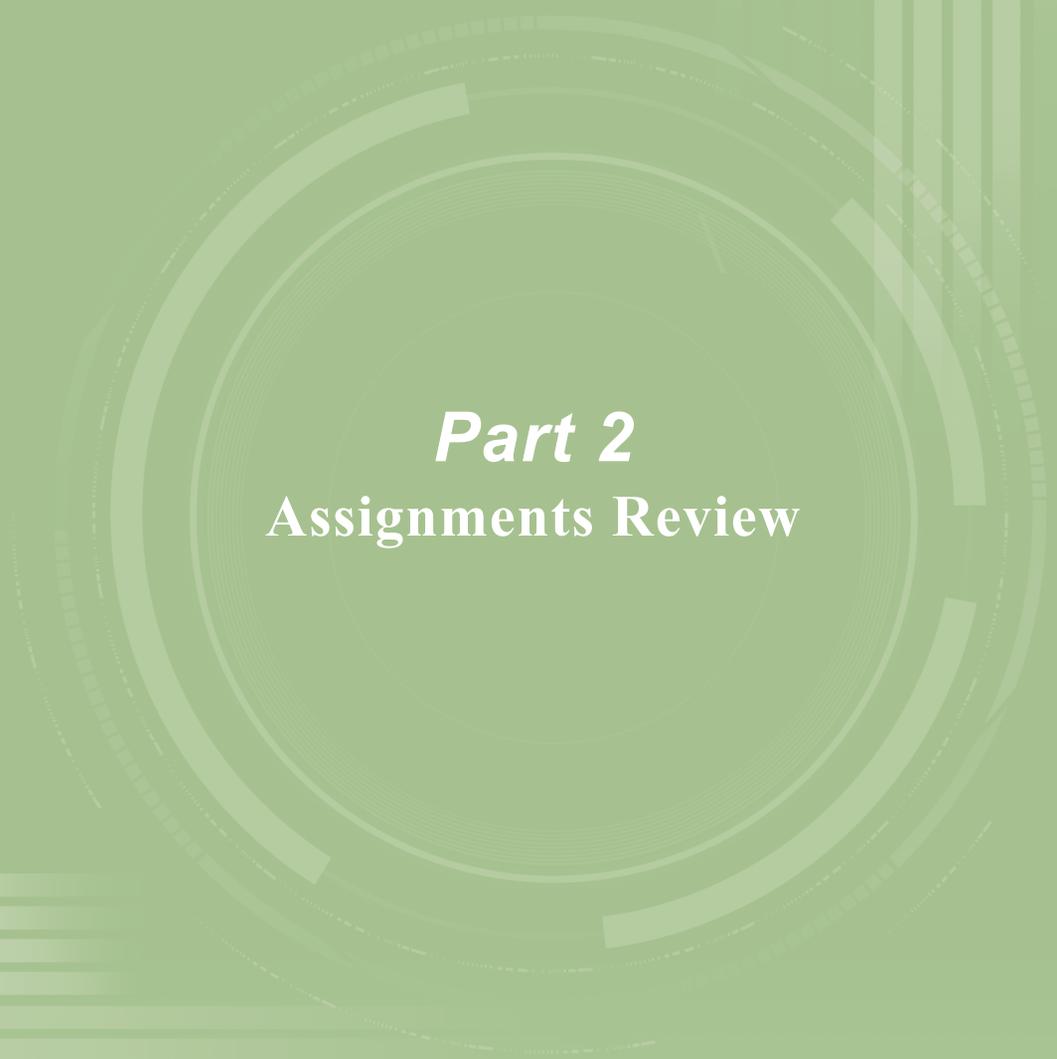


Figure B: Operational Flowchart of the AMLD





Part 2
Assignments Review



I. Handling of Received Suspicious Transaction Reports

The FATF's Recommendation 20 states: "If a financial institution suspects or has reasonable grounds to suspect that funds are the proceeds of a criminal activity, or are related to terrorist financing, it should be required, by law, to report promptly its suspicions to the FIU." Besides, relevant regulations should be set by law.

Article 10, Paragraph 1 of the "Money Laundering Control Act" provides that financial institutions and designated non-financial businesses or professions shall report to the MJIB all suspicious transactions, including attempted transactions, which may involve any of the offenses prescribed in Articles 14 and 15. After the MJIB received a report, the AMLD shall archive, screen, and analyze it. If the AMLD determines that the case is under suspicion of crime or for reasons of financial order and national security, the AMLD shall compile a practical or strategic financial intelligence report and, according to the nature of the case, disseminate it to the other divisions of the MJIB or other competent authorities for reference. The MJIB received a total of 24,719 STRs in 2022, which was 8.19% more than the sum of the STRs (22,846) in the previous year (2021). According to the MJIB's statistical analysis of the reported data by reporting entity, processing status, place of occurrence, month of report, age of counterparty, transaction amount, and gender of reported subject, we found that the top three categories of STRs in 2022 were filed by domestic banks (around 78.97%), insurance companies (around 6.5%), and the postal remittance and savings system (around 6.05%). The top three regions in which suspicious transactions occurred in 2022 were Taipei City (25.86%), New Taipei City (15.12%), and Taichung City (12.82%). With regard to the counterparties in suspicious transactions in 2022, 18.93% of them were between the ages of 21 and 30, and 53.40% of them were

between the ages of 31 and 60. In comparison with the data of 2021 showing that 18.28% of the counterparties were between the ages of 21 and 30 and 54.57% were between the ages of 31 and 60, the ages of suspicious transaction counterparties seemed to stay level in 2022. With regard to the transaction amount in 2022, 8.47% were transactions below NT\$ 500,000, 23.33% were transactions over NT\$ 30 million. Comparing with the data of 2021 illustrating that 12.46% were transactions below NT\$ 500,000 and 20.13% were over NT\$ 30 million, the amount involved in suspicious transactions rose in 2022. With regard to the reported subjects in 2022, the proportions of male, female, and legal entity were respectively 54%, 33%, and 13%, which appeared unchanged vis-à-vis the data of 2021 (detailed statistics and analysis are presented in Tables 01-08 and Figures C-F). Besides, all the STRs that the MJIB received have been made accessible to competent authorities such as the Ministry of Justice and the National Police Agency, Ministry of the Interior via special-purpose online inquiry links.

(1) Suspicious Transaction Reports (STRs)

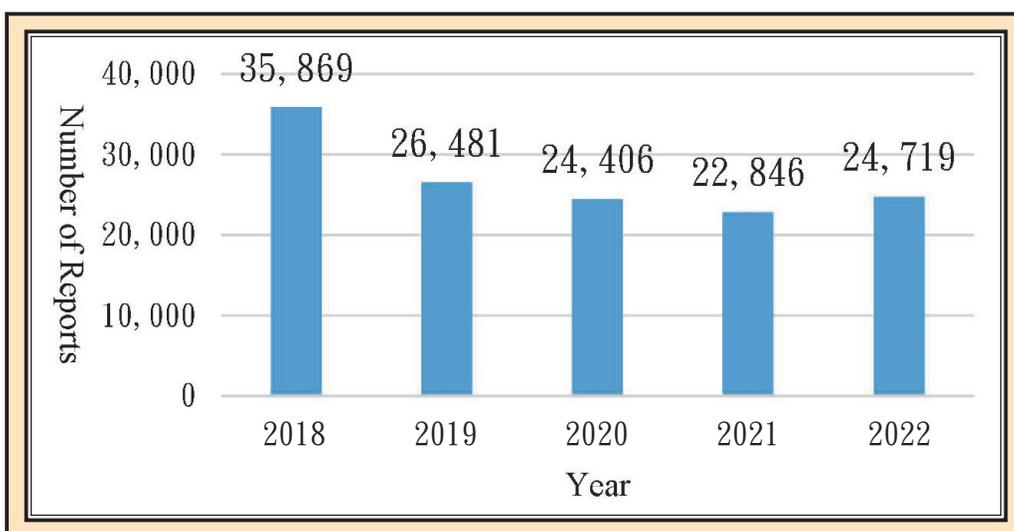
Table 01: Statistics on STRs handled in 2022

Reporting Entities	Number of STRs
Domestic banks	19,521
Foreign banks	11
Investment trusts	0
Credit cooperatives	495
Credit department of national farmers' associations	627
Credit department of national fishermen's associations	16
Postal remittances and savings	1,496
Bills finance companies	0
Credit card companies	32
Insurance companies	1,609
Securities firms	224
Securities investment trust enterprises	31
Securities finance enterprises	4
Securities investment consulting enterprises	1
Centralized securities depository enterprises	26
Futures commission merchants	82
Designated non-financial businesses and professions	93
Banks of China	12
Electronic payment institutions	209
Foreign currency collection/exchange agencies	0
Migrant worker remittance companies	1
Finance leasing companies	2
Virtual currency companies	227
Total: 24,719	

Table 02: Statistics on STRs over the Past Five Years

Year	2018	2019	2020	2021	2022
Number of reports	35,869	26,481	24,406	22,846	24,719

Figure C: Bar Chart of STRs over the Past Five Years



(2) Processing Status

Table 03: Statistics on STRs Processing Status in 2022

Processing Status	Number of Reports
Disseminated to MJIB investigation units	607
Disseminated to law enforcement agencies, public prosecutor's offices, and other competent authorities	1,552
International cooperation	6
Added to the database	22,271
Analysis in progress	283
Total: 24,719	

(3) Distribution of STRs by Region

Table 04: Statistics on Suspicious Transaction Occurrence by Region in 2022

Region	Number of Reports	Region	Number of Reports
Taipei City	8,200	Chiayi City	511
New Taipei City	4,796	Chiayi County	262
Keelung City	392	Tainan City	1,969
Yilan County	361	Kaohsiung City	3,597
Taoyuan City	2,794	Pingtung County	593
Hsinchu City	667	Hualien County	211
Hsinchu County	506	Taitung County	99
Miaoli County	395	Penghu County	30
Taichung City	4,065	Kinmen County	49
Changhua County	1,078	Lienchiang County	5
Nantou County	415	Others ¹	495
Yunlin County	366		
			Total: 31,856

*Note: An STR may involve more than one region of occurrence.

(4) Distribution of STRs by Month

Table 05: Statistics on STRs by Month in 2022

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
No. of Reports	2,081	1,460	2,014	1,902	2,065	1,983	2,089	2,169	2,417	2,053	2,071	2,415

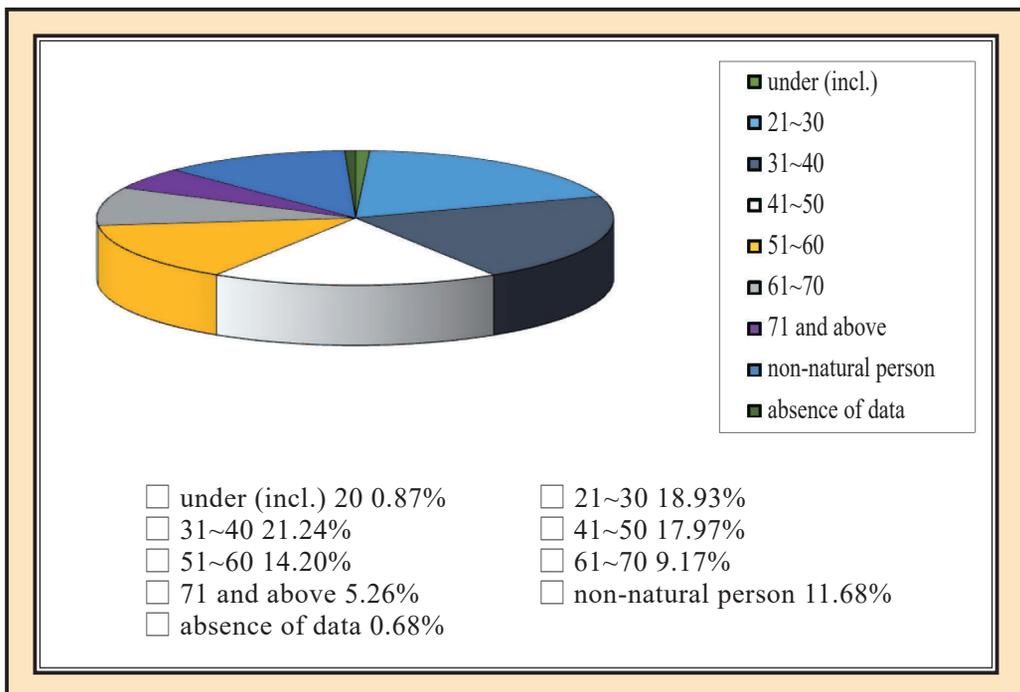
¹ Overseas.

(5) Distribution of STRs by Age of Counterparty

Table 06: Statistics on STRs by Age of Counterparty in 2022

Age Group	Number of Persons
Under (incl.) 20	216
21 ~ 30	4,680
31 ~ 40	5,250
41 ~ 50	4,442
51 ~ 60	3,510
61 ~70	2,266
71 and above	1,301
Non-natural person	2,886
Absence of data	168
Total: 24,719	

Figure D: Pie Chart of STRs by Age of Counterparty in 2022

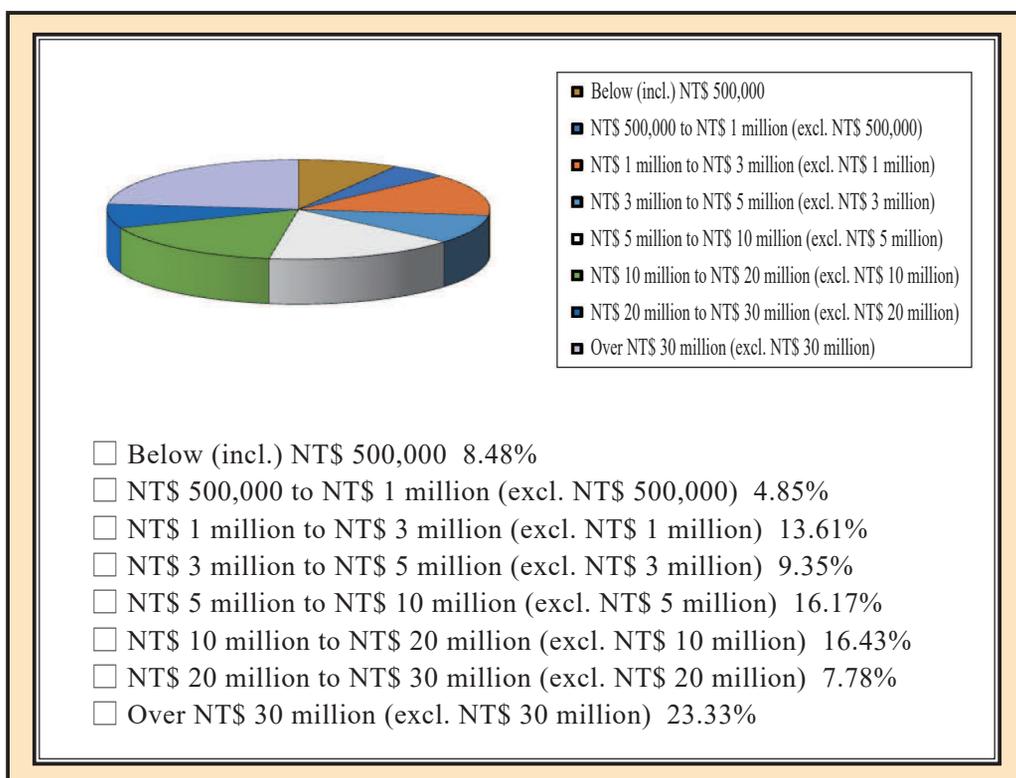


(6) Distribution of STRs by Transaction Amount

Table 07: Statistics on STRs by Transaction Amount in 2022

Transaction Amount	Number of Reports
Below (incl.) NT\$ 500,000	2,095
NT\$ 500,000 to NT\$ 1 million (excluding NT\$ 500,000)	1,199
NT\$ 1 million to NT\$ 3 million (excluding NT\$ 1 million)	3,365
NT\$ 3 million to NT\$ 5 million (excluding NT\$ 3 million)	2,311
NT\$ 5 million to NT\$ 10 million (excluding NT\$ 5 million)	3,997
NT\$ 10 million to NT\$ 20 million (excluding NT\$ 10 million)	4,062
NT\$ 20 million to NT\$ 30 million (excluding NT\$ 20 million)	1,923
Over NT\$ 30 million (excluding NT\$ 30 million)	5,767
Total: 24,719	

Figure E: Pie Chart of STRs by Transaction Amount in 2022

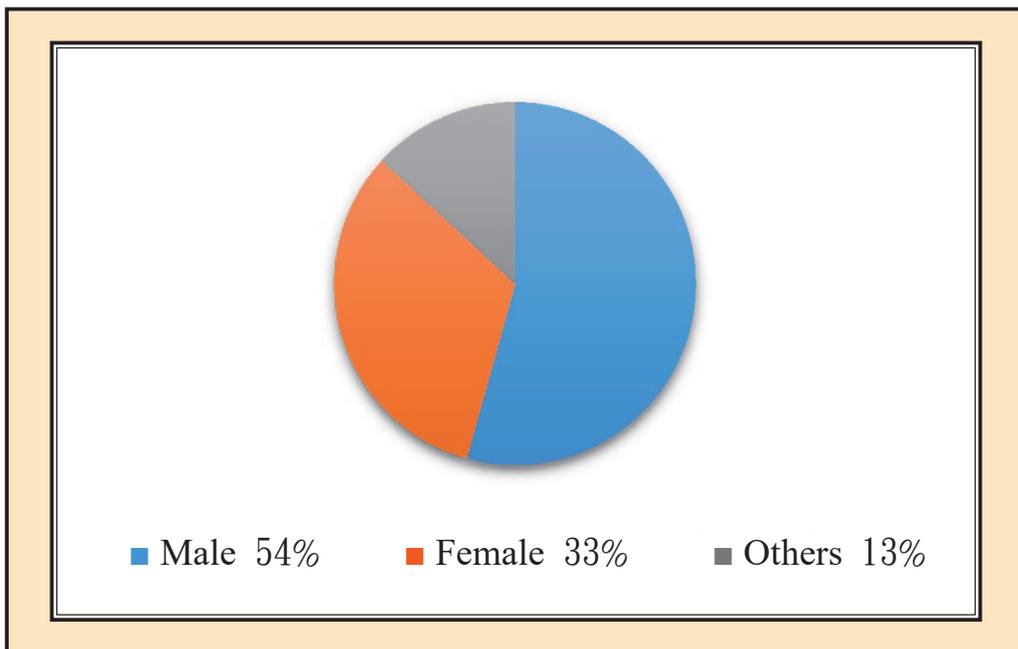


(7) Distribution of STRs by Gender of Reported Subject

Table 08: Statistics on STRs by Gender of Reported Subject in 2022

Gender of subject	Number
Male	20,699
Female	12,494
Others ²	4,898

Figure F: Pie Chart of STRs by Gender of Reported Subject in 2022



² Including legal entities and cases where the gender is not shown.

II. Handling of Received Currency Transaction Reports

Article 9 of the “Money Laundering Control Act” provides that the MJIB shall handle CTRs filed by domestic financial institutions. Article 2 of the “Regulations Governing Anti-Money Laundering of Financial Institutions” and Article 2 of the “Regulations Governing Anti-money Laundering of Agricultural Financial Institutions” state that the term “a certain amount” refers to NT\$ 500,000 (including the foreign currency equivalent thereof). After the MJIB received CTRs, the AMLD shall add them to the database, hold them in safekeeping, and appropriately apply them. According to the “Guidelines on Anti-Money Laundering and Combating Terrorism Financing Operations of the Ministry of Justice Investigation Bureau,” the AMLD shall also answer CTRs inquiries from MJIB field offices, courts, public prosecutor’s offices, and police agencies. The AMLD handled 3,214,049 CTRs in 2022. The statistical analysis of these CTRs by reporting entity and transaction amount reveals that 78.78% of the reports were filed by domestic banks, and the cases with a transaction amount between NT\$ 500,000 and NT\$ 1 million stood at 70.88% of the reports. The AMLD answered 72,512 CTRs inquiries in 2022. (Please refer to Tables 9-12 and Figures G-H for detailed statistics and analysis.)

(1) Currency Transaction Reports (CTRs)

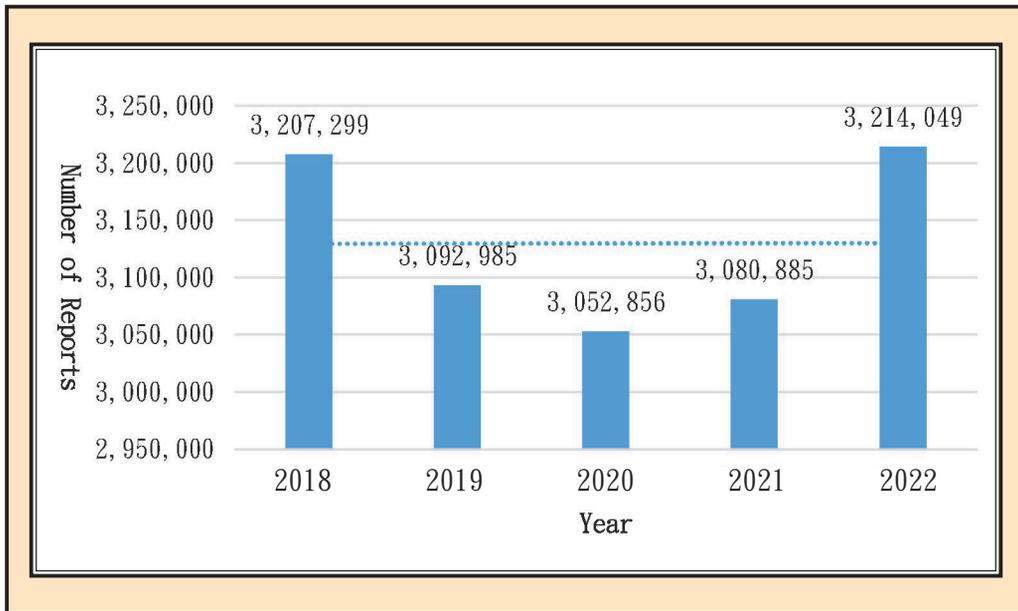
Table 09: Statistics on CTRs handled in 2022

Reporting Entities	Number of Reports
Domestic banks	2,532,314
Foreign banks	4,726
Banks of China	0
Investment trusts	0
Credit cooperatives	120,800
Credit department of national farmers' and fishermen's associations	264,213
Postal remittances and savings	286,579
Insurance companies	4,137
Jewelry stores (incl. digital and written format)	448
Virtual currency companies (incl. digital and written format)	99
Securities investment trust and consulting enterprises (written format)	5
Land administration agents and real estate agencies (written format)	721
Other financial institutions (written format)	7
Total: 3,214,049	

Table 10: Statistics on CTRs over the Past Five Yearss

Year	2018	2019	2020	2021	2022
Number of reports	3,207,299	3,092,985	3,052,856	3,080,885	3,214,049

Figure G: Bar Chart of CTRs over the Past Five Years

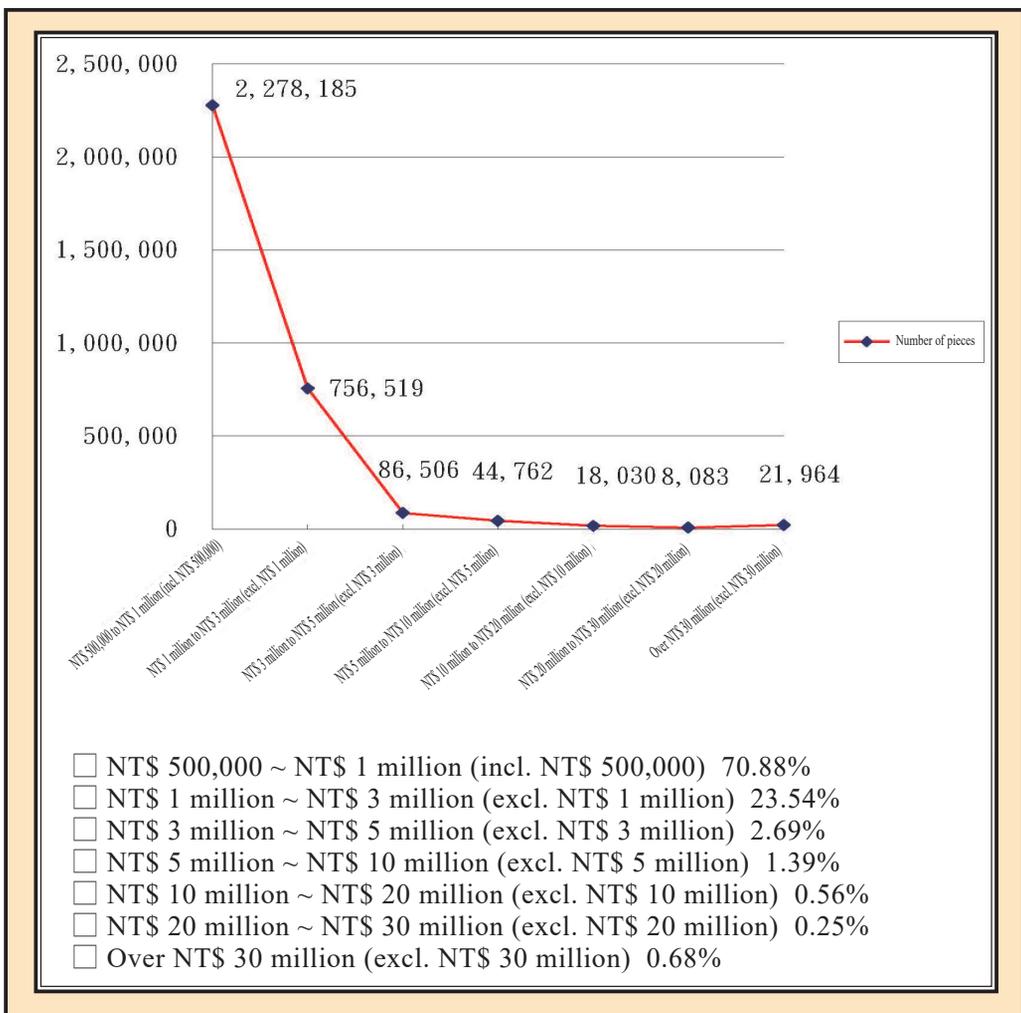


(2) Distribution of CTRs by Transaction Amount

Table 11: Statistics on CTRs by Transaction Amount in 2022

Transaction Amount	Number of Reports
NT\$ 500,000 ~ NT\$ 1 million (incl. NT\$ 500,000)	2,278,185
NT\$ 1 million ~ NT\$ 3 million (excl. NT\$ 1 million)	756,519
NT\$ 3 million ~ NT\$ 5 million (excl. NT\$ 3 million)	86,506
NT\$ 5 million ~ NT\$ 10 million (excl. NT\$ 5 million)	44,762
NT\$ 10 million ~ NT\$ 20 million (excl. NT\$ 10 million)	18,030
NT\$ 20 million ~ NT\$ 30 million (excl. NT\$ 20 million)	8,083
Over NT\$ 30 million (excl. NT\$ 30 million)	21,964
Total: 3,214,049	

Figure H: Line Graph of CTRs by Transaction Amount in 2022



(3) Processing and Inquiry Status

Table 12: Statistics on CTRs Inquiries over the Past Five Years

Year	2018	2019	2020	2021	2022
MJIB	29,305	23,714	28,074	38,096	28,624
Other law enforcement agencies	25,245	14,490	11,043	19,472	34,523
Public prosecutor's offices and courts	9,890	5,615	5,917	6,604	3,037
Other administrative agencies	5,118	5,176	7,106	572	6,328
Total	69,558	48,995	52,140	64,744	72,512

III. Handling of Received Reports from Customs Administration, Ministry of Finance

The FATF's Recommendation 32 states: "Countries should have measures in place to detect the physical cross-border transportation of currency and bearer negotiable instruments, including through a declaration system and/or disclosure system. Countries should ensure that the declaration system and/or disclosure system applies to all physical cross-border transportation including carrying by passengers or delivery through the post or cargo, but different systems may apply to different transportation models." Article 12, Paragraph 1 of the "Money Laundering Control Act" provides that "Passengers or crew members entering or leaving the country along with the vehicle and carry the following items shall make declarations at customs; the customs should subsequently file a report to the Investigation Bureau of the Ministry of Justice. 1. Cash in foreign currency or currencies issued by Hong Kong or Macau, and cash in New Taiwan dollars, totaling over an applicable designated threshold. 2. Negotiable securities with a face value totaling over an applicable designated threshold. 3. Gold with a value totaling over an applicable designated threshold. 4. Other items with a value totaling over an applicable designated threshold and might be used for the purpose of money laundering." Article 12, Paragraph 2 of the act further specifies that "Acts to deliver items prescribed in the preceding paragraph by shipment, express delivery, mail, or other similar means, across the border, would also be subject to the preceding provisions."

Article 3, Paragraphs 1 and 2 of the "Anti-Money Laundering Regulations for Cross-border Declaration and Reporting provide that "A passenger or a service crew member arriving into or departing from the country on a flight/voyage within the same day, holding the following items in his/her possession, shall be required to declare said items to the Customs pursuant to Article 4

of the Regulations. Thereafter, the Customs shall report the said declarations to the Investigation Bureau of the Ministry of Justice pursuant to Article 5 of the Regulations. 1. Cash in foreign currencies, including currencies issued by Hong Kong or Macau, in an aggregate value exceeding ten thousand US dollars (US\$10,000). 2. Cash in New Taiwan dollars in an aggregate value exceeding one hundred thousand (NT\$100,000). 3. Securities bearing a total face value more than ten thousand US dollars (US\$10,000). 4. Gold in an aggregate value exceeding twenty thousand US dollars (US\$20,000). 5. Items, might be used for the purpose of money laundering, in an aggregate value exceeding five hundred thousand NT Dollars (NT\$500,000).” Under the impact of the COVID-19 pandemic, the number of inbound and outbound passengers has declined sharply since 2020. In 2022, the customs received a total of 6,204 declarations from passengers (incl. crew members of transportation services) and then reported them to the MJIB, which showed an increase over last year’s 2,816 declarations. Among the 6,204 declarations in 2022, 72.82% were foreign currencies in cash or securities valued below NT\$ 1 million. (Please refer to Tables 13-16 and Figure I for detailed statistics and analysis.)

In addition, Article 3, Paragraph 3 of the “Anti-Money Laundering Regulations for Cross-border Declaration and Reporting” provides that “An Exporter/Importer or a Sender/Receiver delivers items prescribed in the preceding paragraph across the border on a flight/shipment within the same arriving/post day by shipment, express delivery, mail or other similar means, shall also be subjected to provisions of preceding paragraph.” In 2022, the customs reported to the MJIB a total of 360,250 ICTRs on shipment (incl. other similar means) with the value of more than NT\$ 273.7 billion; 57.57% of which were import declarations. (Please refer to Tables 17-20 for detailed statistics and analysis.)

(1) Reports on Passengers (Incl. Crew Members of Transportation Services)

Table 13: Statistics on the Reports on Passengers (Incl. Crew Members of Transportation Services) in 2022

Inbound/Outbound	Number of Reports
Inbound	1,601
Outbound	4,603
Total	6,204

Table 14: Statistics on the Reports on Passengers over the Past Five Years

Year	2018	2019	2020	2021	2022
No. of reports	47,383	39,855	7,364	2,816	6,204

(2) Distribution of Reports on Passengers (Incl. Crew Members of Transportation Services) by Month

Table 15: Statistics on the Reports on Passengers (Incl. Crew Members of Transportation Services) by Month in 2022

Month	Jan	Feb	Mar	Apr	May	Jun
Number of Reports	247	212	360	341	269	340
Number of Violations ³	4	3	6	7	9	6
Total	251	215	366	348	278	346
Month	Jul	Aug	Sep	Oct	Nov	Dec
Number of Reports	406	473	587	717	1,022	1,230
Number of Violations	9	10	9	11	15	2
Total	415	483	596	728	1,037	1,232

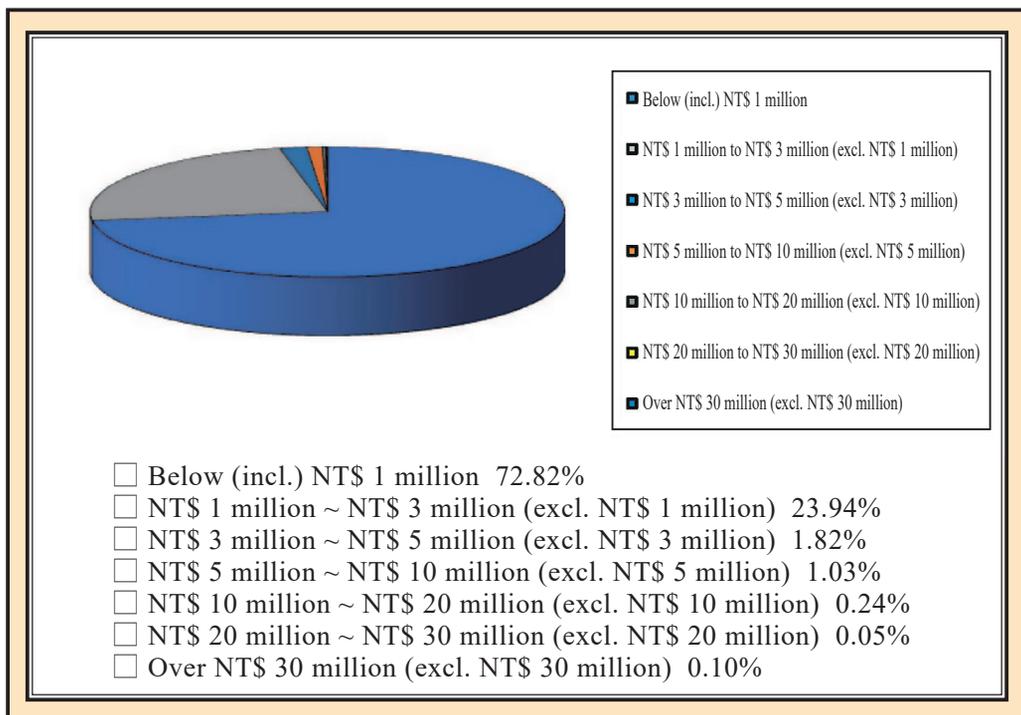
³ Including undeclared and false declarations.

(3) Distribution of Reports on Passengers (Incl. Crew Members of Transportation Services) by Value

Table 16: Statistics on the Reports on Passengers (Incl. Crew Members of Transportation Services) by Value in 2022

Value	Number of Reports
Below (incl.) NT\$ 1 million	4,518
NT\$ 1 million ~ NT\$ 3 million (excl. NT\$ 1 million)	1,485
NT\$ 3 million ~ NT\$ 5 million (excl. NT\$ 3 million)	113
NT\$ 5 million ~ NT\$ 10 million (excl. NT\$ 5 million)	64
NT\$ 10 million ~ NT\$ 20 million (excl. NT\$ 10 million)	15
NT\$ 20 million ~ NT\$ 30 million (excl. NT\$ 20 million)	3
Over NT\$ 30 million (excl. NT\$ 30 million)	6
Total: 6,204	

Figure I: Pie Chart of Reports on Passengers (Incl. Crew Members of Transportation Services) by Value in 2022



(4) Number of ICTRs on Shipment (Incl. Other Similar Means)

Table 17: Statistics on ICTRs on Shipment (Incl. Other Similar Means) in 2022

Export/Import	Number of Reports
Export	75,468
Import	284,782
Total	360,250

Table 18: Statistics on ICTRs on Shipment (Incl. Other Similar Means) over the Past Five Years

Year	2018	2019	2020	2021	2022
No. of reports	290,086	320,481	262,477	291,400	360,250

(5) ICTRs on Shipment (Incl. Other Similar Means) by Value

Table 19: Statistics on ICTRs on Shipment (Incl. Other Similar Means) by Value in 2022

Export/Import	Value (NT\$)
Export	116,156,640,254
Import	157,617,247,969
Total	273,773,888,223

(6) ICTRs on Shipment (Incl. Other Similar Means) by Month

Table 20: Statistics on ICTRs on Shipment (Incl. Other Similar Means) by Month in 2022

Month	January	February	March	April	May	June
No. of reports	24,469	22,326	26,803	28,707	30,012	21,978
Month	July	August	September	October	November	December
No. of reports	18,909	20,480	22,016	25,838	26,053	23,809

IV. Publicity, Training Programs, and Personnel Secondment

(1) Stronger Together – 2022 International Organization Day

The Ministry of Foreign Affairs invited the AMLD to co-organize the event “Stronger Together - 2022 International Organizations Day” that took place on 22 October 2022. The AMLD shared its booth with the Anti-money Laundering Office, Executive Yuan at the Taipei Guest House, introducing the historical context and results of Taiwan’s engagement in international organizations such as the APG, the EG, and the ARIN-AP. This event was open to the general public and allowed interaction with the exhibitors. In coordination with the main theme of this event and to kindle the visitors’ interest, our colleagues specifically collated the information of Taiwan’s participation in the activities held by AML organizations, and made the information available for the organizer to produce exhibition boards before the event. We also designed the hand-holding boards with slogans, interactive games, and brochures of the AMLD as the FIU of Taiwan, which attracted enthusiastic responses from the visiting public.

After the opening ceremony of this event, Wang Chun-Li (director-general, MJIB) accompanied Jaushieh Joseph Wu (Minister of Foreign Affairs) and foreign envoys to the AMLD’s booth, where they took part in the prized-quiz prepared by our colleagues. Director-general Wang and Lan Chia-Jui (director, AMLD) also acted as goodwill ambassadors, explaining to and interacting with the guests on site. The visiting guests highly appreciated the achievements and contributions of the MJIB in actively engaging in AML-related international organizations. More than 500 visitors interacted with our colleagues at this event, during which many students expressed their interest in working for relevant international organizations and the MJIB. It indicated that this event has significantly increased Taiwanese people’s support for Taiwan’s participation in international organizations.



A group photo of Wang Chun-Li (director-general, MJIB), Su Pei-Yu (executive secretary, Anti-money Laundering Office, Executive Yuan), and our colleagues

(2) Assisting in Organizing AML/CFT Training Programs

The FATF’s Recommendation 34 states: “The competent authorities, supervisors and SRBs should establish guidelines, and provide feedback, which will assist financial institutions and designated non-financial businesses and professions in applying national measures to combat money laundering and terrorist financing, and, in particular, in detecting and reporting suspicious transactions.” In order to help the personnel of financial institutions fully grasp the necessary AML/CFT information, to improve the quality of STRs from financial institutions, and to enhance financial institution personnel’s understanding of the indicators of suspicious transactions, the AMLD, in response to the requests from financial institutions, sent its officers to different financial institutions to promote AML practice. Based on the reported data and professional experience, our officers communicated and discussed with the personnel of financial institutions, shared documented cases, and introduced

several criminal *modi operandi* such as underground banking, stock-price manipulation, insider trading, tunneling, fraud, and online gambling, so as to improve the reporting entities' ability in detecting abnormal transactions and to strengthen know-your-customer (KYC)/ customer due diligence (CDD).

Table 21: Statistics on the AMLD's Assistance in Organizing AML/CFT Training Programs for Reporting Entities in 2022

Institutions		Subtotal	
		Sessions	Participants
Banks	Domestic banks (incl. financial holding companies)	37	4445
	Foreign banks	1	45
Credit cooperatives		1	37
Credit department of national farmers' and fishermen's associations		3	205
Securities investment trust and consulting enterprises		2	159
Insurance companies		11	1015
Credit card companies		1	17
Electronic payment institutions		1	49
designated non-financial businesses or professions		4	632
Total		61	6604

(3) The 2nd Fund Investigation Personnel Secondment Program at the AMLD

In order to cultivate in-house talent in the AML field for the MJIB, the AMLD initiated the "Fund Investigation Personnel Secondment Program" in early 2021. Suitable members of office staff and field staff of the MJIB were seconded to the AMLD, where they could, through practical work, understand the FIU's role and tasks, familiarize themselves with the procedure of receiving, analyzing, and disseminating financial intelligence, partake in affairs of international organizations in due course, and know how to engage in international intelligence exchange through the EG, insofar as to build a pool of AML/CFT specialists. The program entered its second year in 2022, in which two MJIB field special agents were seconded to the AMLD for a term of around eight months. The program was successful and its intended purpose was fulfilled.

V. Public-Private Collaboration and Strategic Research

(1) Coordination Meetings between the AMLD and Agencies of Law Enforcement, Regulation, and Taxation

In order to support the practical needs of law enforcement agencies, regulatory bodies, and taxation authorities and enhance the effectiveness of financial intelligence utilization, as well as in response to the recommendations from the APG mutual evaluation of FIUs, the AMLD engaged in active exchange and communication with competent authorities in 2022. On 21 April 2022, the AMLD arranged a coordination meeting with the Taxation Administration, Ministry of Finance. Both parties exchanged views on the cases handled by the Taxation Administration, and discussed feasible investigation directions and collaboration needs. On 26 October 2022, the AMLD held a coordination meeting with the Financial Examination Bureau of the Financial Supervisory Commission (FSC). Both parties not only exchanged opinions on the types, cases, and risks of STRs, but also had face-to-face communication for the practical needs of financial intelligence utilization, so as to strengthen the mechanisms of information provision and sharing among different institutions. The AMLD also introduced the functions and purposes of the “Information Exchange Platform for Preventing Money Laundering, Terrorist Financing, and Proliferation Financing” which has been in use since 26 September 2022, seeking to improve the public and private sectors’ ability in identifying illegal transactions and to enhance the effectiveness of their collaboration.



The Taxation Administration, Ministry of Finance visited the AMLD and discussed the information sharing mechanism on 21 April 2022



A group photo of Lan Chia-Jui (director, AMLD) and our colleagues with the staff of the Financial Examination Bureau of the FSC on 26 October 2022

(2) The “Webinar on AML/CFT Information Sharing Mechanism between Public and Private Sectors—Australia and Taiwan”

In order to strengthen the PPP in Taiwan and to facilitate the information sharing about the risks and cases of money laundering, terrorist financing, and proliferation financing, the Anti-money Laundering Office, Executive Yuan and the AMLD co-constructed the Information Exchange Platform on 26 September 2022. Besides, the AMLD and the Australian Transaction Reports and Analysis Center co-organized the “Webinar on AML/CFT Information Sharing Mechanism between Public and Private Sectors—Australia and Taiwan” on 9 November 2022. Hosted by Lan Chia-Jui (director, AMLD), this webinar invited the participation from Taiwan’s competent authorities such as the Anti-money Laundering Office, Executive Yuan, the Taiwan High Prosecutors Office, the FSC, the Bankers Association, and the Securities Association. Senior special agent Hsu Ting-Zhen from the AMLD introduced the interface and functions of the Information Exchange Platform established in 2022, followed by the Australian Transaction Reports and Analysis Center’s experience sharing about the “Fintel Alliance” built in 2017. Prof. Tsang Cheng-Yun from the National Cheng-Chi University was invited to present his research findings on public-private collaboration, information sharing, and regulation technology. Director Lan hosted the after-webinar session, and the participants actively put questions and joined in the discussion, with the aim of advancing their understanding of the public-private collaboration mechanisms. Together with the aforementioned Information Exchange Platform, this webinar was expected to enhance the practitioners’ ability in identifying suspicious transactions and to optimize the performance of the reporting mechanism.



The participants in the webinar on public-private collaboration

(3) The “Seminar on Illegal Financial Flows and Abnormal Transaction Patterns”

The AMLD and the Banking Bureau of the FSC co-organized the “Seminar on Illegal Financial Flows and Abnormal Transaction Patterns” on 12 January 2023. It marked the participation of the public sector and a total of 145 attendees in charge of AML affairs from 129 financial institutions, cryptocurrency companies, and third-party payment service providers. This seminar began with the remarks by Wang Chun-Li (director-general, MJIB) and Tong Chen-Chang (deputy director-general, Banking Bureau). Yang Yueh-Ping (associate professor, NTU College of Law), Shen Jian-Chung special agent (AMLD), Liang Hsiang-Hsin (special agent, Economic Crime Prevention Division, MJIB), Cheng Tsu-Wei (prosecutor, Taiwan Ciaotou District Prosecutors Office), and Luo Yong-Dian (special agent, Information and Communication Security Division, MJIB) were respectively invited

to give presentations on the latest developments of the AML efforts in cryptocurrencies, third-party payment services, and emerging technologies, as well as case summaries of the latest law enforcement practice of each unit. The participants had a lively exchange of ideas and actively put questions in the seminar, which not only deepened their understanding of the protean modi operandi of crimes and money laundering, but also improved the ability of practitioners in emerging businesses to identify suspicious transactions as well as increased the effectiveness of their reports.



The Seminar on Illegal Financial Flows and Abnormal Transaction Patterns

(4) The Strategic Analysis Report on the “Status Quo of China UnionPay Cards and Associated Risks of Money Laundering”

In order to grasp the risks and patterns of money laundering in Taiwan and to offer regulatory authorities and financial institutions timely assistance

in constructing better AML mechanisms, the AMLD considered it necessary to compile a strategic analysis report on the status quo of China UnionPay cards and associated risks of money laundering in view of the high risks of misuse and money laundering of China UnionPay cards in Taiwan. We collected and analyzed the relevant patterns in this strategic analysis report, and then disseminated it, along with our policy recommendations and trend analysis, to related agencies and reporting entities as a source of reference for STRs, AML/CFT policy-making, or mechanism revisions.

(5) The Issuance of the AMLD E-Newsletter

In 2019, Taiwan completed the third round of APG mutual evaluation and obtained a good result of general tracking. Nevertheless, the evaluation team continued to underscore the importance of information sharing, cooperation, and coordination between the FIU and law enforcement agencies, regulatory authorities, and private reporting entities. Serving as the FIU of Taiwan, the AMLD plays the key role in disseminating information. In order to keep reinforcing the role and functions of the FIU, the AMLD started publishing its e-newsletter in November 2019 and has continued to issue the newsletter in Chinese and English. The objective of the AMLD e-newsletter is threefold: (1) to create a platform for integrating knowledge and information about AML, CFT, and CPF; (2) to expand the scope of cross-disciplinary PPP exchange approaches; and (3) to compile professional opinions on relevant statistics, criminal trends, transaction patterns, and prevention focuses for the reference of competent authorities, institutional partners, and the general public. In doing so, we can improve our ability to identify risks, adopt preventive measures of a scale proportionate to that of the risks, appropriately allocate limited resources, and focus on high-risk activities, thereby strengthening the mechanisms of AML, CFT, and CPF.

VI. International Cooperation and Exchange

(1) International Intelligence Sharing

The FATF's Recommendation 40 states: "Countries should ensure that their competent authorities can rapidly, constructively and effectively provide the widest range of international cooperation in relation to money laundering, associated predicate offences and terrorist financing. Countries should do so both spontaneously and upon request, and there should be a lawful basis for providing cooperation. [...] Should a competent authority need bilateral or multilateral agreements or arrangements, such as a Memorandum of Understanding (MOU), these should be negotiated and signed in a timely way with the widest range of foreign counterparts. Competent authorities should use clear channels or mechanisms for the effective transmission and execution of requests for information or other types of assistance. Competent authorities should have clear and efficient processes for the prioritization and timely execution of requests, and for safeguarding the information received." Harnessing the channel of the EG, the AMLD shares intelligence on money laundering, terrorist financing, and proliferation financing with the EG's members, and meanwhile distributes its analyses of related data to competent authorities for handling. The statistics on the intelligence exchange between the AMLD and its foreign counterparts over the past five years are shown in Table 22.

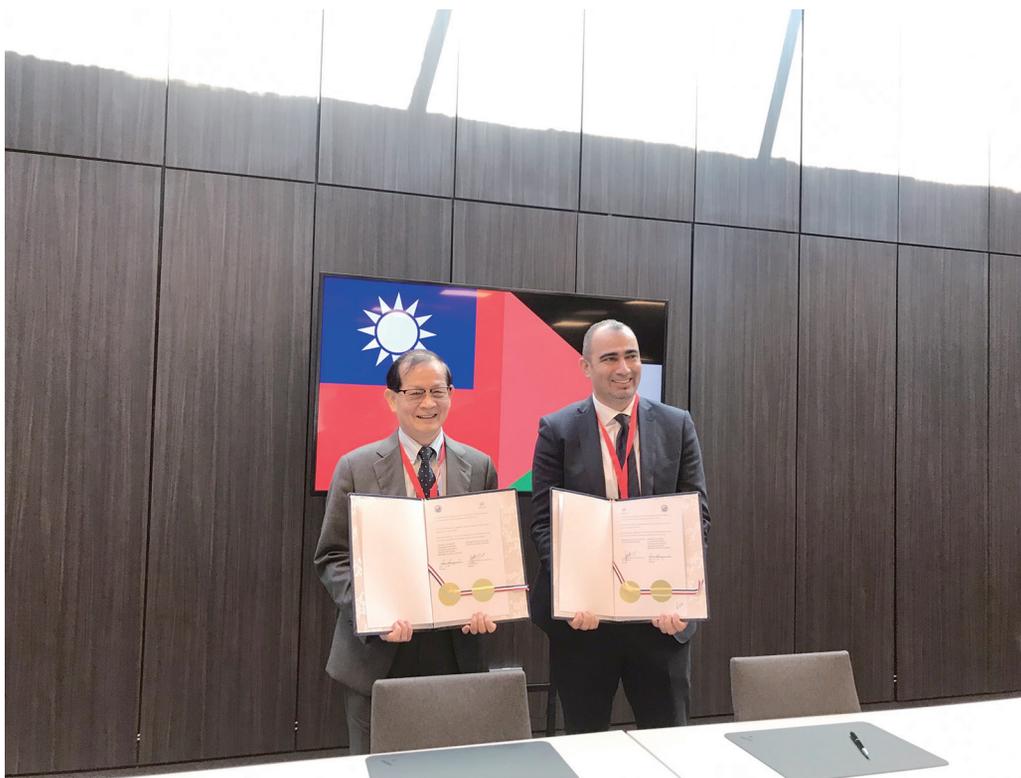
Table 22: Statistics on the AMLD's Engagement in International Intelligence Exchange over the Past Five Years

Types	Year	2018	2019	2020	2021	2022
Requests from overseas	Cases	47	71	58	56	62
	Number of Reports	162	279	197	176	192
Requests to Overseas	Cases	23	38	32	7	52
	Number of Reports	107	292	110	39	149
Spontaneous Exchanges from Overseas	Cases	99	81	66	49	35
	Number of Reports	198	198	132	95	63
Spontaneous Exchanges to Overseas	Cases	20	17	12	8	7
	Number of Reports	46	50	23	20	16
Questionnaires and Other Matters	Cases	0	0	0	0	0
	Number of Reports	339	248	261	379	448
Total	Cases	189	207	168	120	156
	Number of Reports	852	1,067	723	709	868

(2) Signing MOUs with Foreign FIUs

Money laundering is a crime often committed in a cross-border mode. It is necessary for countries to forge a consensus, cooperate, and exchange financial intelligence on the basis of mutual trust and reciprocity if they are going to effectively combat cross-border money laundering, terrorist financing, and proliferation financing. In 2022, the costs and risks of cross-border interaction remained high even though the COVID-19 pandemic was subsiding. In this period, the AMLD signed MOUs with five jurisdictions, including the British Turks and Caicos Islands, the Republic of Malta, the State of Palestine, the Republic of Slovenia, and the Principality of Monaco. Seizing the opportunity of participating in the EG annual meeting in July

2022, director Lan of the AMLD and Dr. Firas Murrar (head of the Palestinian FIU) signed the “Memorandum of Understanding between the Anti-money Laundering Division, Investigation Bureau, Ministry of Justice, Republic of China (Taiwan) and the Financial Follow-up Unit, State of Palestine Concerning Cooperation in the Exchange of Financial Intelligence Related to Money Laundering, Associated Predicate Offences and Terrorism Financing,” which has contributed greatly to the future bilateral cooperation in combating transnational money laundering, major crimes, and terrorist financing. Up to 2022, the AMLD has not only signed MOUs on AML/CFT with 57 jurisdictions, but also discussed possible or upcoming MOUs with several jurisdictions in Oceania, Africa, South Asia, and South America.



Director Lan of AMLD and Dr. Firas Murrar (head of the Palestinian FIU) signed an MOU on AML

(3) Participating in the 28th EG Annual Meeting

The EG comprises the FIUs of its member jurisdictions. Its main mission is to serve as a platform for international financial intelligence sharing amongst member FIUs through a secure network, and to provide educational training and related assistance for its members. The 28th EG annual meeting took place from 11 to 15 July 2022 in Riga, the capital city of Latvia. The meeting saw a total of around 350 participants, including the FIU heads and staff members from 125 jurisdictions, as well as the personnel from international organizations such as the INTERPOL, the WCO, and the World Bank. Lan Chia-Jui (director, AMLD) and Lin Ko-Fan (investigator, AMLD) participated in the meeting on behalf of Taiwan. They were specifically invited by the Secretariat of the EG to present the results and cases of Taiwan's FIU during the meeting. At the roundtable discussion of the Asia-Pacific Region Meeting, director Lan shared the AMLD's recent orientation and contribution to this region under the title "The AMLD's Work Progress in the Asia-Pacific



Mrs. Hennie Verbeek-Kusters (Chair of the EG) specifically mentioned Taiwan and expressed special thanks for Taiwan's active participation in the EG meeting

Region.” He also discussed regional practice and future cooperation with the FIU heads from Australia, Japan, Malaysia, and Thailand. Besides, investigator Lin reported the AMLD’s role in case investigation and introduced the significance of PPP for combating crimes at the case-study presentation session of the Asia-Pacific Region Meeting. In order to further expand the tasks concerning the EG, the AMLD’s representatives scheduled intensive meetings and discussions during this one-week meeting, expecting to achieve the best results in the shortest possible time. The AMLD accomplished its tasks successfully and fruitfully at the EG annual meeting in addition to carrying out effective networking and civil diplomacy.



© Egmont Group of Financial Intelligence Units (EG)

On 9 June 1995, a group of FIUs met at the Egmont-Arenberg Palace in Brussel, Belgium and decided to establish the EG as an important platform for international financial intelligence exchange, thereby jointly combating money laundering through consultation and cooperation particularly in intelligence exchange, training, and technique sharing.

Taiwan’s FIU (now known as the AMLD, Taiwan) joined the EG at the 6th annual meeting in June 1998. The EG currently has 167 member FIUs who exchange intelligence through a secure network. The AMLD not only participates in the annual meeting and working group meeting of the EG on a regular basis, but also exchanges intelligence and promotes agreements or MOUs on AML/CFT with its counterparts, so as to be in line with the FATF’s Recommendations and the objective of the EG.

(4) Participating in the 25th APG Annual Meeting and the Election of Director Lan of the AMLD as the North Asia Region Representative of the APG Governance Committee

Established in February 1997, the APG serves as a multilateral AML mechanism in the Asia Pacific Region. In view of the pandemic, the APG annual meeting in 2022 was held in a hybrid format. The face-to-face meeting took place from 24 to 28 July 2022 in Kuala Lumpur, Malaysia. Taiwan sent two delegations respectively to the face-to-face meeting and the online meeting. The former was led by Su Pei-Yu (executive secretary, Anti-Money Laundering Office, Executive Yuan) in the company of Kao Tsu-Wen and Hsu Ting-Chen (special agent, AMLD). In addition, with the consent of the APG Secretariat, we specifically opened the online annual meeting to domestic AML/CFT-related agencies, thereby linking up them with the international community and increasing their understanding of the APG's operation. Thirty-one practitioners from six agencies participated in the online meeting.

The term of office of Japan as the North Asia region representative of the APG Governance Committee expired in July 2022. Taiwan proactively contacted the representatives of member jurisdictions for support before the meeting, and actively spoke to demonstrate our determination to participate in international affairs during the meeting, hence positive recognition and acknowledgement by the participating members. On 2 September 2022, the AMLD was officially notified by the APG Secretariat that director Lan was elected as the North Asia region representative of the APG Governance Committee after an 11-year hiatus. During his two-year term of office, director Lan assisted the members in this region in building a consensus on AML/CFT strategies, offered practical advice to the APG Secretariat, and broadened Taiwan's participation in international organizations.

On 15 September 2022, director Lan, as the representative of the North Asia region, attended that year's first online meeting of the APG Governance

Committee. The meeting discussed the latest progress of mutual evaluation among APG member states, the priority plan of the new co-chairs, the revision to the clauses about the APG’s authority, the financial audit performance, the APG Secretariat’s recruiting plan, and the key results of the 25th annual meeting. Before the meeting, we actively liaised with North Asia members, compiled their opinions on the aforementioned issues, and interacted with the members in a practical manner, which was favorable for deepening Taiwan’s participation in international affairs and improving Taiwan’s professional image and visibility in the international community.



The online meeting of the APG Governance Committee on 15 September 2022



© Asia/Pacific Group on Money Laundering (APG)

The APG was established in 1997. Its objective is to ensure that individual members accept and effectively implement the international standards against money laundering, terrorist financing, and proliferation financing related to weapons of mass destruction (WMD).

Between 2018 and 2019, Taiwan completed the third round of APG mutual evaluation. In October 2019, the APG submitted the performance of Taiwan to the FATF for a global rating, and Taiwan obtained the result of “general tracking,” which was the best in Asia. Under the regulations of the APG Secretariat, Taiwan is subject to a biennial tracking procedure. Taiwan submitted a tracking report in October 2021, which was approved by the APG Secretariat in December of the same year to maintain the best result of “general tracking.”

Currently, the APG consists of 41 member jurisdictions, eight observer jurisdictions, and 32 international organization observers. The APG is also one of the FATF-style regional bodies (FSRBs). Taiwan is one of the founding members of the APG under the title of “Chinese Taipei,” and is allowed to participate in the affairs of the FATF as a member of the APG.

(5) Participating in the FATF Plenary and Working Group Meeting

The FATF was an international organization established on the initiative of G7 (incl. Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States) at the Paris Summit in 1989. The FATF is mainly responsible for setting global AML/CFT standards and urging countries to follow or improve their respective AML/CFT systems. Under the impact of the COVID-19 pandemic, the FATF plenary meetings had been held online and not open to non-member states since March 2020. It was not until October

2022 that the first plenary meeting of the FATF's 34th term resumed the face-to-face format. In order to keep abreast of the development of international standards, to learn from other countries' experience, and to continuously track the research results on AML/CFT issues, the AMLD sent special agent Yeh Chien-Ru to the plenary meeting in Paris, France as a delegation of the APG.

It was the first plenary meeting of the FATF under the presidency of T. Raja Kumar. Delegates from more than 200 jurisdictions of the global network attended the meeting at the OECD headquarters in Paris. A number of developments were achieved at this plenary meeting, including the discussion on the draft guidance for beneficial ownership of legal persons in Recommendation 24 (public consultation version), the adoption of the draft amendments (public consultation version) to Recommendation 25 (transparency and beneficial ownership of legal arrangements), and the expected approval of the revision to Recommendation 25 at the next plenary meeting. Besides, the plenary meeting approved two reports respectively titled "Money Laundering from Fentanyl and Synthetic Opioids" and "Money Laundering and Terrorist Financing in the Art and Antiquities Market" as a source of reference for the members in combating money laundering, terrorist financing, and proliferation financing. The working groups also continued to update their ongoing assignments, including the preparation for the fifth round of mutual evaluation, the plan on countering ransomware financing, and the effectiveness and technical compliance ratings (IO.7). Furthermore, the president included asset recovery in the FATF's two-year Strategy Priority, making cross-border cooperation in asset recovery an important task during his term of office.

The FATF's 40 Recommendations have been universally recognized as the global standards for AML, CFT, and CPF. Although Taiwan is not yet a member of the FATF, we participated in the FATF plenary meeting as a delegation of the APG, seeking to grasp the FATF's revision to and orientation of related Recommendations, so as to meet the FATF's updated requirements on states' AML/CFT/CPF systems, which not only narrowed the gap between Taiwan's system and the international standards, but also helped enhance Taiwan's capacity for international mutual evaluation and tracking report review.



FINANCIAL ACTION TASK FORCE
GROUPE D'ACTION FINANCIÈRE

© Financial Action Task Force (FATF)

At the Paris Summit in 1989, the G7 recognized the threat of money laundering to the banking system and financial institutions, hence the establishment of the FATF whose duty is to grasp money laundering techniques and trends and to examine whether countries have adopted international AML standards and measures. In order to build a basic, generally applicable AML framework to combat the misuse of financial systems by persons, the FATF drew up 40 Recommendations in 1990. These Recommendations were revised in 1996 and 2003 to reflect the evolving threat of money laundering. In response to the September 11 attacks, the FATF created the Eight (later expanded to Nine) Special Recommendations on Terrorist Financing. In February 2012, the FATF plenary meeting passed the “International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation,” in which the FATF’s 40 Recommendations and Nine Special Recommendations on Terrorist Financing were integrated and revised, and counter-WMD proliferation financing was added to the Recommendations as well.

All members of the FSRBs perform self-assessment or mutual evaluation to ensure the effective implementation of the aforementioned Recommendations.

Currently, the FATF has 39 members (37 jurisdictions and two regional organizations—the Gulf Cooperation Council and the European Commission), nine FSRBs as associate members, and one observer. All of them are the regular participants in the FATF plenary and working group meeting.

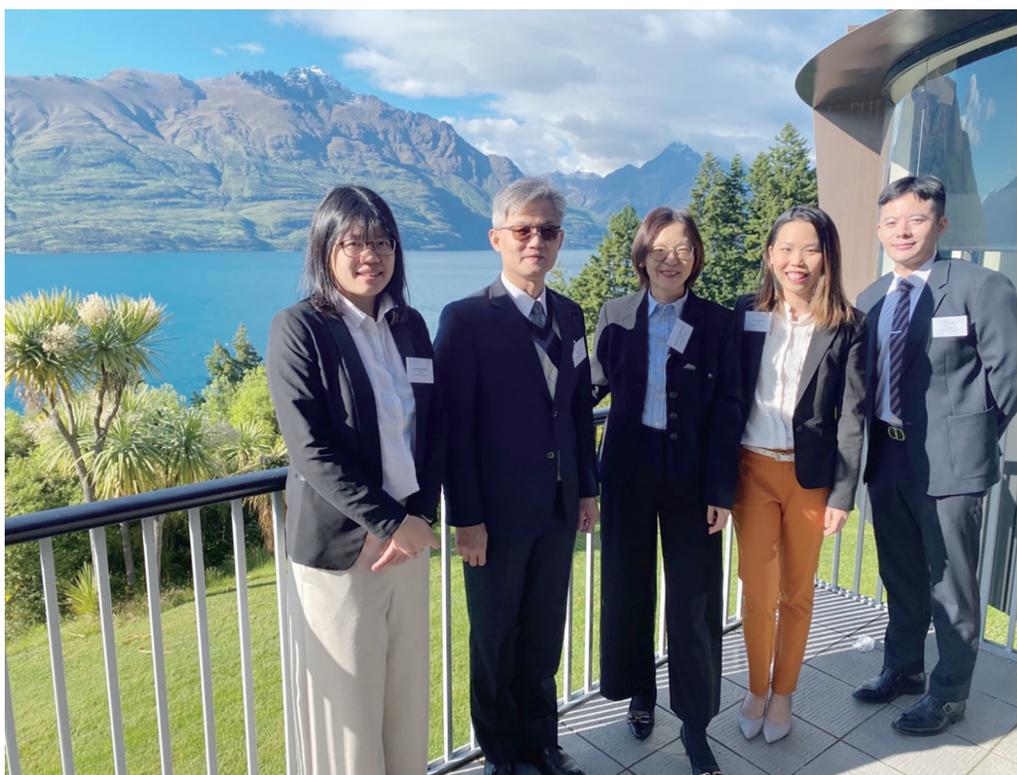
(6) Participating in the 7th ARIN-AP Annual Meeting

The ARIN-AP was established in 2013 with Taiwan as one of its founding members. This annual meeting was originally scheduled to be hosted by New Zealand in 2020, but was postponed to 22-25 November 2022 in Queenstown, New Zealand due to the COVID-19 pandemic. Led by Wong Pei-Xian (prosecutor, Department of International and Cross-Strait Legal Affairs, Ministry of Justice), the members of the Taiwan delegation to this annual meeting included Yeh Yong-Hsian (prosecutor), Lin Jin-Yi (executive officer, Department of International and Cross-Strait Legal Affairs), Liu Yu-Lin (section chief, AMLD), and Chang Chi-Chen (special agent, AMLD), together with around 50 representatives from 10 countries and organizations such as Australia, South Korea, Malaysia, the Philippines, and the Camden Assets Recovery Interagency Network (CARIN) of Spain.

At the annual meeting, prosecutor Wong and prosecutor Yeh gave presentations on Taiwan's mutual legal assistance (MLA) cases as well as the PPP information exchange platform (currently maintained and operated by the AMLD) and its future prospects. In addition, Stu McGowan (senior detective, Asset Recovery Unit, New Zealand Police), Stefan Jerga (National Manager Criminal Assets Confiscation, Australian Federal Police), and our colleagues discussed the unofficial cooperative initiatives on international criminal assets investigation and recovery. The AMLD is the FIU of Taiwan and a member of the EG. The international intelligence exchange through the EG's network is contributory to the preliminary investigation in MLA cases.

The mission of the ARIN-AP echoes the FATF president's two-year Strategy Priority on asset recovery. Serving as the second contact unit and the secretariat of Taiwan's participation in the ARIN-AP, the AMLD assists

the Department of International and Cross-Strait Legal Affairs, Ministry of Justice in handling international MLA cases. The AMLD will continue to perform its duty and maintain its stance, insofar as to optimize its function as an FIU.



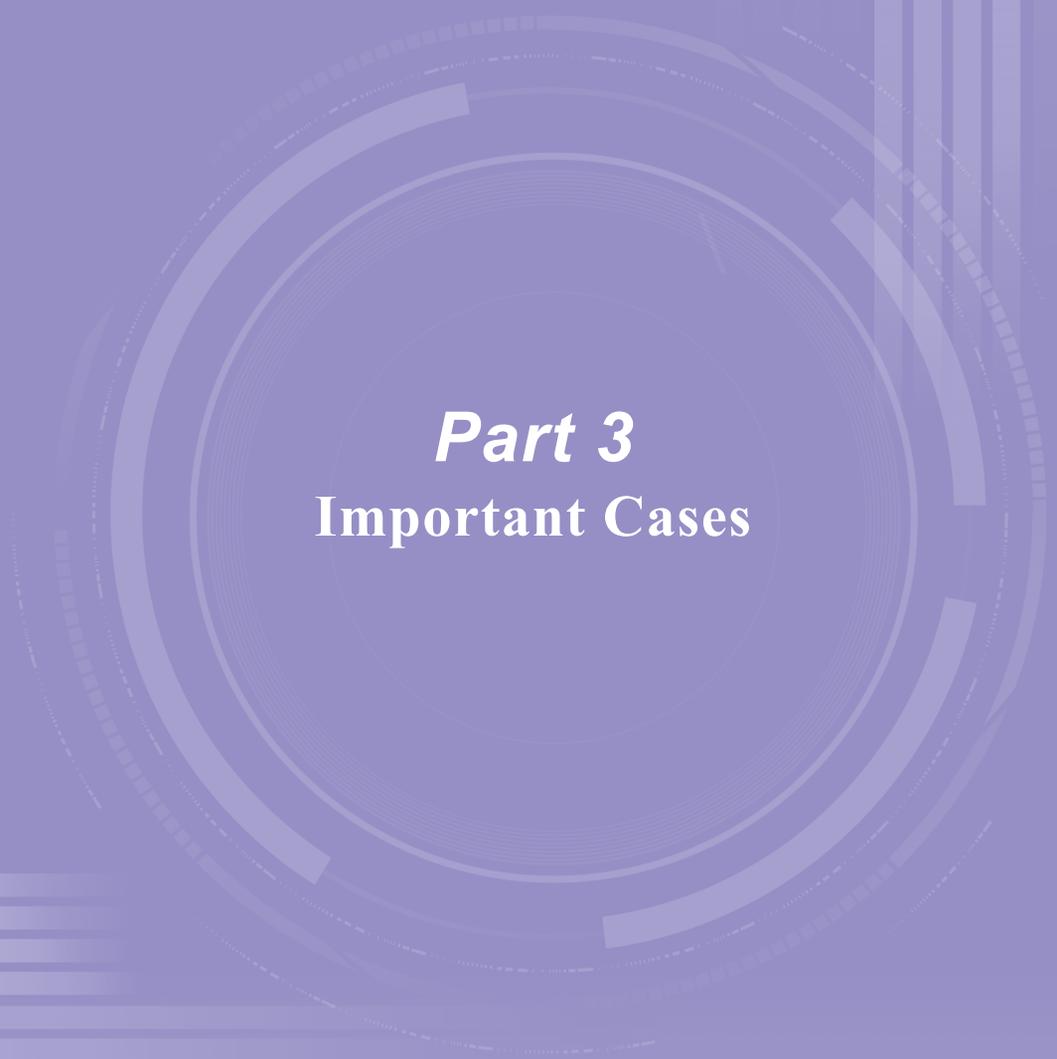
A group photo in the ARIN-AP meeting



ASSET RECOVERY INTERAGENCY NETWORK ASIA PACIFIC (ARIN-AP)

© Asset Recovery Interagency Network Asia Pacific (ARIN-AP)

Established in 2013 with its secretariat in Seoul, South Korea, the ARIN-AP is dedicated to facilitating the exchange of MLA intelligence among Asia-Pacific countries, increasing the effectiveness of MLA, removing obstacles to asset recovery, and establishing a transnational, competent judicial network that improves its members' performance on the recovery of criminal proceeds. Taiwan, as a founding member, joined the ARIN-AP in 2014. Up to March 2021, the ARIN-AP consists of 28 member states (incl. Taiwan) and several international organization observers.



Part 3
Important Cases



I. The Case of National Health Insurance (NHI) Fraud Committed by Attending Doctor Lee ○○ at ○○ Hospital

(1) Summary

(a) Source of Intelligence:

While investigating the case of suspected NHI fraud committed by attending doctor Lee○○ who works for a public hospital, the MJIB found that Fu○ dental office, for which Lee had been unlawfully moonlighting, has since January 2021 changed its account to the National Health Insurance Administration (NHIA) for the payment of medical expenses. The account was opened in the name of “Lin○○, Fu○ dental office” (i.e. the person in charge of the dental office). However, after the NHIA’s appropriation was credited to the aforementioned account, the money was transferred to account A of Chang○○ (Lee’s spouse) with the same bank, and then part of the money was remitted from Chang’s account A to her account B with another bank, which was suspected to be abnormal.

(b) Suspects:

Lee○○ and Chang○○

(c) Suspects’ Involvement:

Knowing that he did not report to the competent authority or the public hospital he worked for and obtain formal approval for his moonlighting at Fu○ dental office, Lee had since September 2011 maintained intention liaison on fraud and forgery with Lin, who was then the person in charge of Fu○ dental office. With Lin’s consent, Lee practiced at Fu○ dental office and wrote drug prescriptions and patient records in the name of “Dr. Lin○○,” so that Lin could make fraudulent claim for NHI medical expense reimbursements.

In December 2020, Lin handed over Fu○ dental office to Lee and Chang (Lee's spouse) for an agreed price, making the latter the actual persons in charge of Fu○ dental office. In order to cover up or conceal the whereabouts of their fraud proceeds mentioned above, and based on the intention liaison on laundering the aforementioned fraud proceeds, Lee and Chang not only asked Lin to open an account with bank A in the name of "Fu○ dental office" used for claiming NHI medical expense reimbursements, but also decided to transfer the NHIA's appropriation credited to the account of "Fu○ dental office" with bank A to Chang's account with bank A (a total of NT\$ 3,034,800 was successively transferred to this account) or further to Chang's account with bank B (NT\$ 500,000 was deposited in this account on 5 May 2021) from 11 January 2021 onwards.

(2) Indicators of Suspicious Transactions

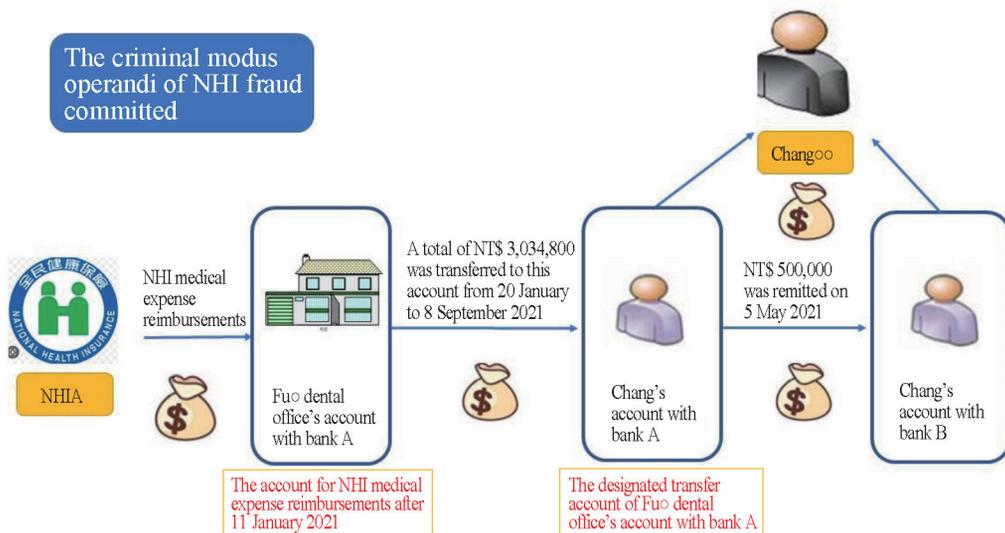
- (a) Cash deposited in and withdrawn from the same account within a certain period of time exceeds a specific amount.
- (b) The same banking client makes multiple deposits in and withdrawals from his/her account(s) that exceed a specific amount within a certain period of time.
- (c) A specific amount of money is suddenly deposited in an inactive account and soon transferred to another account.

(3) Prosecution

On 13 September 2022, the prosecutor of the Taiwan Taipei District Prosecutors Office indicted Lee and Chang under Article 339-4, Paragraph 1, Subparagraph 2 (offense of fraud by three or more persons) and Articles 216 and 215 (a person who makes in a document or certificate prepared in the course of his/her occupation an entry which he knows to be false and causes injury to the public or another) of the "Criminal Code," as well as Article 14, Paragraph 1 (the crime of money laundering) of the "Money Laundering Control Act."

(4) Experience for Reference

- (a) In order to conceal the fact that they are the actual persons in charge of Fu○ dental office, Lee and his spouse Chang reached an agreement with Lin that Lin provides the license and acts as the registered person in charge of Fu○ dental office, and that Lee pays Lin NT\$ 40,000 per month for the use of his name. After the change of Fu○ dental office's account for NHI medical expense reimbursements in January 2021, we found that Lin was no longer the actual owner of the Fu○ dental office's account with bank A, and Chang's account with bank A was its designated transfer account, which obviously went against the original usage of Fu○ dental office's account for NHI medical expense reimbursements.
- (b) From 2017 to 2020, there were only 3-7 transactions per year in Chang's account with bank A. However, within the eight-month period from January to 7 September 2021 when the MJIB handled this case, there were as many as 37 transactions in Chang's account with bank A. Our further investigation uncovered the aforementioned offence of money laundering. This case embodied the indicator of a specific amount of money suddenly deposited in an inactive account and soon transferred to another account.



II. The Case of Mayor Wen○○ of ○○ Township, Miaoli County Accepting Bribes from a Collusive Tendering Syndicate for Construction Projects

(1) Summary

(a) Source of Intelligence:

In September 2021, the MJIB's investigation uncovered that mayor Wen○○ of ○○ Township, Miaoli County has continually exploited ○○ Township Office (hereafter referred to as the Office) to accept bribes for construction project procurement, photovoltaics rental tender, and sanitation worker recruitment since 2018. Wen deposited the proceeds of bribery in his mother Wen Yeh○○'s account and purchased land in the name of his second son Wen○○, so as to conceal and divert the proceeds of bribery.

(b) Suspects:

Wen○○, Tsai○○, Tsai○○, Lu○○, Gu○○, Wen○○, Lai○○, Chu○○, Lu○○, Fu○○, Lee○○, Chiu○○, Yen○○, Wu○○, Chiu○○, Wang○○, Tan○○, Wang○○, Wu○○, Wu○○, and Cheng○○

(c) Suspects' Involvement:

From 2018 to February 2022, Wen seized the opportunity of the Office's authority over construction project procurement (131 cases), photovoltaics rental tender (one case), and sanitation worker recruitment (two cases) to take bribes or kickbacks from the winning tenderers and the recruited sanitation workers via two bagmen. The proceeds of bribery and kickback totaled NT\$ 12,898,100.

For the purpose of concealing the proceeds of bribery and kickback to evade judicial authorities' investigation, prosecution,

and punishment, and knowing that the property of his mother and his second son aged 20 needs not to be included in his property declaration under the “Act on Property-Declaration by Public Servants,” Wen opened an account at the Farmers’ Association of ○○Township in his mother’s name and held the passbook and seal of that account, so that he could conceal the proceeds of bribery and kickback in it. Besides, he instructed Chang○○, a temporary employee in the mayor’s office, to deposit the cash bribes in the aforementioned account on an irregular basis. Moreover, in the name of his second son, Wen purchased the piece of land at “No.○○, Sec.○○, ○○Township, Miaoli County” with his friends Lu○○ and Liao○○ for a total amount of NT\$ 5,700,000. Wen concealed and diverted the proceeds of bribery and kickback through the abovementioned money laundering modus operandi.

(2) Indicators of Suspicious Transactions

- (a) From 2018 to 2020, the annual income of Wen’s mother comprised the profits from “○○Lottery Retailer” and her deposit interest, which was approximately NT\$ 200,000-NT\$ 300,000 per year. However, after Wen was elected mayor of ○○Township on 25 December 2014, large amounts of cash ranging from NT\$ 500,000 to NT\$ 900,000 were deposited into his mother’s account with the Farmers’ Association of ○○Township on an irregular basis. The sum obviously did not tally with his mother Wen Yeh’s income.
- (b) Wen’s second son held a post at the Farmers’ Association of ○○Township in 2021 after being discharged from the compulsory military service. However, in May 2021, he purchased the piece of farmland on “No.○○, Sec.○○, ○○Township, Miaoli County” for several million dollars in cash without taking out a loan. The purchase price was apparently beyond his financial ability.

(3) Prosecution

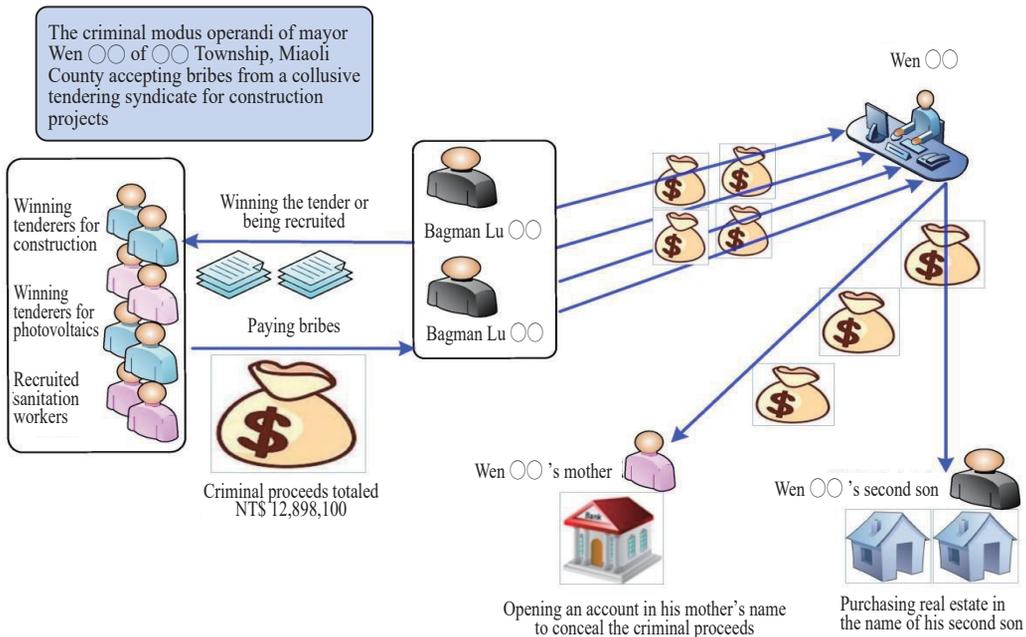
On 5 August 2022, the prosecutor of the Taiwan Miaoli District Prosecutors Office indicted Wen○○, Tsai○○, Tsai○○, Lu○○, Gu○○, Wen○○, Lai○○, Chu○○, Lu○○, Fu○○, Lee○○, Chiu○○, Yen○○, Wu○○, Chiu○○, Wang○○, Tan○○, Wang○○, Wu○○, Wu○○, and Cheng○○ under Article 4, Paragraph 1, Subparagraph 3 (inflating the prices and quantities of, or taking kickbacks from, public works or procurements under his/her charge), Clause 5 (demanding, taking or promising to take bribes or other unlawful profits by the acts that violate the official duties), and Article 5, Paragraph 1, Subparagraph 3 (demanding, taking or promising to take bribes or other unlawful profits by an act that belongs to the official duties) of the “Anti-Corruption Act,” Article 132, Paragraph 1 (a public official who discloses or gives away a document, plan, information, or another thing of a secret nature relating to matters other than national defense) of the “Criminal Code,” Article 2 and Article 14, Paragraph 1 of the “Money Laundering Control Act,” as well as Article 87, Paragraph 4 of the “Government Procurement Act.”

(4) Experience for Reference

(a)Wen’s mother had taken a post at Miaoli County Council from 2009 to 2015, after which she did not take any post. From 2018 to 2020, the annual income of Wen’s mother comprised only the profits from “○○Lottery Retailer” and her deposit interest, which was approximately NT\$ 200,000-NT\$ 300,000 per year. She has taken up residence in Toufen, Miaoli County. However, since Wen was elected mayor of ○○Township on 25 December 2014, large amounts of cash ranging from NT\$ 500,000 to NT\$ 900,000 had been irregularly deposited into his mother’s account with the Farmers’ Association of ○○Township by Chang○○, an employee in the mayor’s office. The

amount of money and the transactions were evidently inconsistent with the income of Wen’s mother and the location of ○○Township where Wen served as the mayor, which embodied the indicator of money laundering.

- (b) After being discharged from the compulsory military service, Wen’s second son worked in the catering industry for a short period of time from 2019 to 2020. He did not take a post at the Farmers’ Association of ○○Township until 2021, and had never engaged in any type of investment. However, he (aged 23 then) purchased the piece of farmland on “No.○○, Sec.○○, ○○Township, Miaoli County” for several million dollars in cash in May 2021. The purchase price was apparently beyond his financial ability, and the transaction was quite different from the common practice of young people who buy a home first and then invest in land. Our investigation further uncovered that Wen had borrowed his second son’s identity card prior to the registration of title to this piece of land, showing that this piece of land was actually purchased by Wen who tried to transform the criminal proceeds into real estate registered under his second son.



III. The Case of Chen○○ et. al. Violating the “Money Laundering Control Act”

(1) Summary

(a) Source of Intelligence:

The Taiwan Taipei District Prosecutors Office demanded the MJIB to investigate this case.

(b) Suspects:

Chen○○

(c) Suspects' Involvement:

From December 2015 onwards, Chen○○ had worked as the chief accountant for Film Studio I. He was in charge of the financial accounts of Film Studio I's related companies. In the performance of her occupation, Chen was also able to access the funds of Film Studio I through online banking, cash transfer, and cash withdrawal. From May 2016 to January 2019, Chen accumulated huge debts and was in urgent need of money. She ergo expropriated the funds of Film Studio I. With the criminal intent of embezzlement, fraud, and private document forgery, and seizing the opportunity of holding the passbook and seal of Film Studio I, Chen deliberately concealed the name of the verified account with the Internet bank, so that the person in charge of the Film Studio, who had been living abroad for a long period of time, failed to detect Chen's criminal conduct when remotely approving the remittance online. In addition, after obtaining a withdrawal slip with Film Studio I's seal of authorization, Chen altered the amount of money or the payee on the slip and made the withdrawal via unwitting employees of financial institutions, insofar as to embezzle the funds of Film Studio I by withdrawing or remitting cash to specific accounts for personal use or debt repayment. The

amount of funds Chen embezzled totaled NT\$ 110 million. In order to prevent her embezzlement from being detected by the staff of Film Studio I, Chen used the opportunity of simultaneously being in charge of the bookkeeping and holding the passbook and seal for Film Studio II. In February 2018, Chen firstly remitted NT\$ 1.5 million of the NT\$ 2 million withdrawn from Film Studio I's account with bank A to Film Studio II's account with bank B, and then to the account of her colleague Tseng○○ (as debt repayment) and Chen's personal account, so as to create the illusion that these remittances were inter-studio business transactions, and thereby disguised and concealed the source and destination of the embezzled funds. In August 2018, Chen adopted the same modus operandi to remit NT\$ 2.23 million of the NT\$ 3.2 million withdrawn from Film Studio I's account with bank A to Film Studio II's account with bank B, and then to the accounts of her friends Tseng○Hui and Kuo○○ (as debt repayment), so as to disguise and conceal the source and destination of the embezzled funds.

(2) Indicators of Suspicious Transactions

- (a) Cash deposited in and withdrawn from the same account within a certain period of time exceeds a specific amount.
- (b) The same banking client makes multiple deposits in and withdrawals from his/her account that exceed a specific amount within a certain period of time.
- (c) The same banking client frequently transfers money among multiple accounts that exceeds a specific amount.
- (d) The same banking client frequently acts on behalf of others or has the money in his/her account frequently withdrawn by third parties that exceeds a specific amount.

(3) Prosecution

In December 2019, the prosecutor of the Taiwan Taipei District

Prosecutors Office indicted Chen under Article 336, Paragraph 2 (occupational fiduciary), Article 339, Paragraph 1 (fraud), as well as Articles 216 and 210 (private document forgery) of the “Criminal Code.” Besides, in May 2022, the prosecutor submitted a joinder of claims to the Taiwan High Court, asking the court to hear the aforementioned case of embezzlement together with Chen’s offence of knowingly disguising or concealing the source and destination of the proceeds of specified unlawful activities under Article 14, Paragraph 1 and Article 2, Paragraph 2 of the “Money Laundering Control Act.”

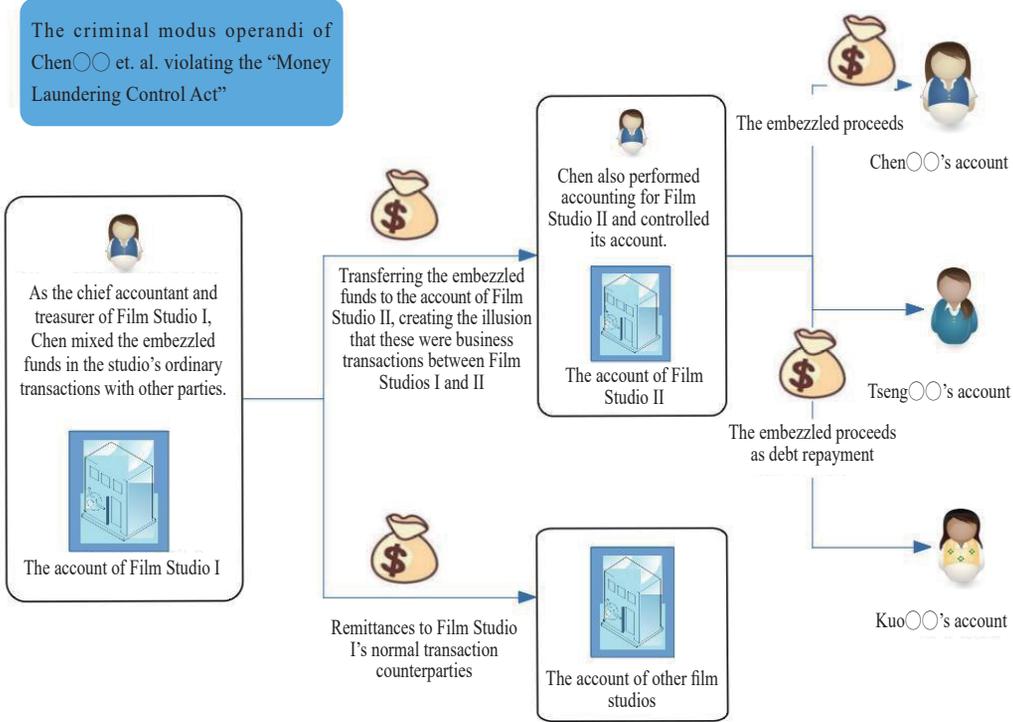
(4) Experience for Reference

- (a) In this case, the person in charge of Film Studio I had been living abroad for a long period of time, and Chen was the chief accountant and treasurer of Film Studio I. Chen controlled the financial account of Film Studio I and therefore she could access the funds of Film Studio I through online banking, cash transfer, and cash withdrawal. Chen concealed the possible abnormalities in her duty as the treasurer by actions or omissions in her accounting practice. Although the person in charge of Film Studio I remotely authorized transactions via the Internet and verified accounting records on a monthly basis, it was obvious that the information was incomplete and there was no internal control mechanism for immediate review. Meanwhile, Chen not only performed accounting and bookkeeping for Film Studio II and Film Studio III (Chen also committed the offence of embezzlement at Film Studio III and was indicted by the Taiwan Shilin District Prosecutors Office), but also held the passbooks and seals for Film Studio II and Film Studio III. In this case, we found that Chen deliberately transferred some of the embezzled funds through the account of Film Studio II to create the illusion that these remittances were inter-studio business transactions. Besides, the embezzled funds were

interspersed with normal transactions, which increased the difficulty of investigation.

- (b) Chen got into serious debt so she often asked for short-term, high-interest loans from her friends. As a consequence, Chen's personal account had frequent transactions of large sums of money with different parties, which embodied the indicator of suspicious transactions, that is, the same banking client makes multiple deposits in and withdrawals from his/her account that exceed a specific amount within a certain period of time. In order to repay the principal and interest of the loans, Chen seized the opportunity of working as an accountant and treasurer for several film studios at the same time and took the risk out of desperation to embezzle and misappropriate the funds from the involved film studios. This type of situations in which the same person controls the accounts of multiple firms and makes money transfers among them also embodied the following two indicators of suspicious transactions, namely the same banking client frequently transfers money among multiple accounts that exceeds a specific amount, and the same banking client frequently acts on behalf of others or has the money in his/her account frequently withdrawn by third parties that exceeds a specific amount. Furthermore, the embezzled funds relayed via the account of Film Studio II were also transferred to Chen's personal account, which apparently didn't correspond with the normal business transactions of the Film Studio. Such abnormal transactions may serve as a reference for financial institutions to cautiously strengthen their audit and reporting.

The criminal modus operandi of Chen○○ et. al. violating the “Money Laundering Control Act”



IV. The Case of Company A's Former CTO Lin○○○ Committing the Offenses of Breach of Trust

(1) Summary

(a) Source of Intelligence:

In November 2021, the MJIB discovered that the former information directors Lin○○○, Chen○○○, and Wu○○○ of an offshore company seized the opportunity of managing the company's accounts on cryptocurrency exchanges (incl. Bitfinex, Liquid, Tether, and FTX) while working for the company to embezzle the cryptocurrency assets (e.g. BTC, ETH, and USDT) in these accounts. After resigning from the job, Lin not only reset the passwords of the aforementioned accounts, but, with the criminal intent of money laundering, continually transferred the cryptocurrency assets in these accounts through over-the-counter transactions to the cold wallet under his control, and lent the cryptocurrency assets to unspecified people on the Internet, so as to impede the criminal investigation and make it more difficult for the judicial authorities to detect the cryptocurrency flow.

(b) Suspects:

Lin○○○, Chen○○○, and Wu○○○

(c) Suspects' Involvement:

For the purpose of exercising unlawful control over other's property for themselves, Lin○○○ and Chen○○○ colluded to exploit their name-borrowing registration as the persons in charge of Technology Company A and the Taiwan branch office of an offshore company. Lin was responsible for managing Company A's accounts on cryptocurrency exchanges (incl. Bitfinex, Liquid, FTX, OKCoin, Tether, and Binance), and therefore he knew the numbers, passwords, and one-time passwords of these accounts. After 19 March 2021,

the treasurer of Company A was no longer able to access the cryptocurrency assets in these accounts, because their passwords had been changed by Lin and Chen unilaterally. In this way, Lin and Chen embezzled the cryptocurrency assets of Company A, including 7.064245657 BTC, 2,180.13471912 ETH, 4,296,787.64021745169 USDT, 500 TRX, 0.0068697 QAS, and 127 SRM. The assets were equivalent to NT\$ 328,812,810. On top of that, Lin and Chen attempted to embezzle the assets (US\$ 7,322,286.277 in total, which was equivalent to NT\$ 204,145,341) in Company A's designated account with ○○Commercial Bank for fiat money withdrawal from cryptocurrency exchanges such as Liquid and Bitfinex.

After obtaining the criminal proceeds from the aforementioned accounts of Company A, Lin first of all transferred all the tethers in these accounts to his personal account on FTX, and then withdrew NT\$ 20 million (690,000 USDT) of these proceeds with the assistance from Wu○○ through over-the-counter transactions. Besides, Lin had transferred a total of 300,000 USDT from his personal account on FTX to the FTX account of the ○Technology Company under his control, 10,000 USDT to the personal cryptocurrency wallet of Liu○○ at Tian○ Law Firm, 188,200 USDT to the cryptocurrency wallet of company C, 150,000 USDT to the cryptocurrency wallet on Jin○ Exchange, and 960,000 USDT to the cryptocurrency wallet of the Bi○ Business Office. Lin transferred a total of 2,298,200 USDT for personal use. The remaining 1,998,587.64021738 USDT were lent by Lin to unspecified persons on the Internet using the Decentralized Finance (DeFi) application supported by the “imToken” e-wallet on Lin's mobile phone. Moreover, Lin had transferred a total of 1,210 ETH (which was equivalent to NT\$ 180,380,631) from Company A's account on Bitfinex to the “imToken” e-wallet on his mobile phone.

While conducting related searches and follow-up interviews, the MJIB used its cryptocurrency wallet (No. 108○○○) to seize 5.0012164 BTC, 111.65485878 USDT, and 1,200.2628 ETH possessed by Lin. The Taiwan Shilin District Prosecutors

Office additionally requested assistance from the MJIB to report to the Taiwan Shilin District Court for an urgent seizure of the aforementioned accounts. The court received the report and recognized its legal imperative. The total criminal proceeds confiscated in this case amounted to NT\$ 504,414,955.

(2) Indicators of Suspicious Transactions

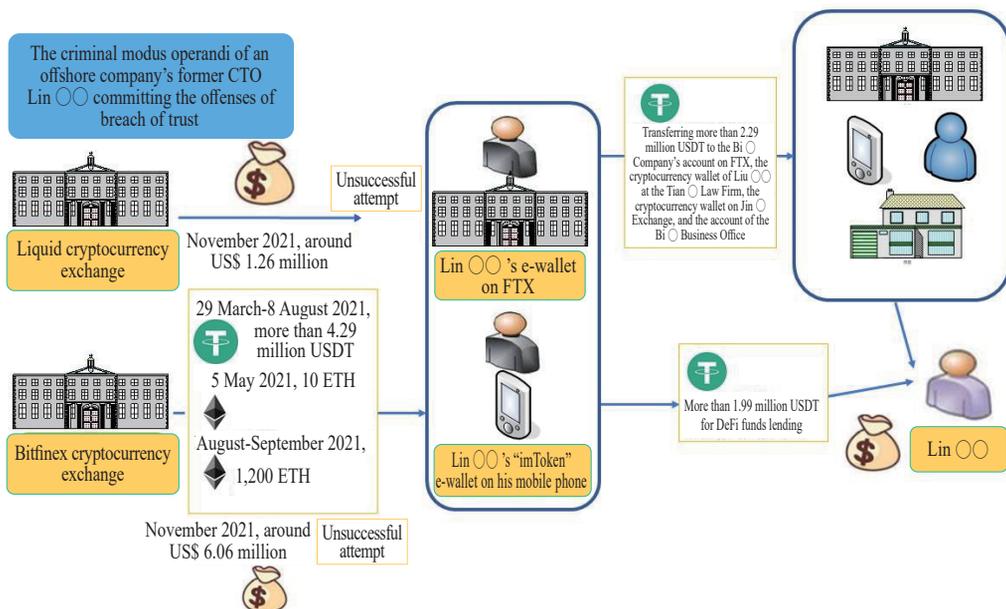
- (a) Frequent deposits and withdrawals of similar small amounts of cash via automatic devices within a short period of time exceed a specific amount.
- (b) Frequent cash deposits in and withdrawals from a specific account (incl. an account for fiat money withdrawal from cryptocurrency exchanges) by third parties exceed a specific amount.
- (c) Evading STRs on cryptocurrency exchanges by means of over-the-counter transactions

(3) Experience for Reference

- (a) In November 2021, Lin, as the person in charge of an offshore company's Taiwan branch office, went to ○○Commercial Bank several times with Wu○○ or accountant Hong to apply for change of seal of the company's account with the bank, where he misled the bank teller that the company's digital certificate for electronic transactions was lost, and demanded reissuance of the certificate on site in order to cope with emergencies. He attempted to transfer all the balance (around NT\$ 250 million) of the Taiwan branch office's eight accounts with ○○Commercial Bank, and the bank declined this transfer on the grounds that Lin failed to pass the KYC verification for the Taiwan branch office of an offshore company. The bank also filed an STR on this case to the MJIB in a timely manner, helping us promptly grasp the suspect's identity as an accomplice and their criminal modus operandi.
- (b) During the investigation of this case, the legal officer of ○○Commercial Bank additionally reported the abnormal fiat money

withdrawal from the accounts opened by Lin and Wu on MAX Exchange. After accessing and examining their transaction details, the MJIB finally tracked down and seized Lin who laundered part of his embezzled proceeds into fiat money with the help of Wu through over-the-counter transactions. The importance of financial institutions reporting suspected transactions finds expression in this case.

- (c) Lin, the suspect in this case, used his accounts on cryptocurrency exchanges, cold wallet, and DeFi funds lending to transfer the embezzled cryptocurrency assets. He also obtained fiat money and meanwhile created breakpoints in the cryptocurrency flow through over-the-counter transactions with Wu's help, making it difficult to track down his criminal proceeds. In view of the fact that cryptocurrencies have become a widely adopted tool or an object of money laundering among offenders, and that people with criminal intent tend to make over-the-counter transactions to evade money laundering control over the cryptocurrency industry, financial institutions, cryptocurrency platforms, and trading businesses shall take AML actions such as KYC, on-site inspection, transaction monitoring, and timely reporting, insofar as to help investigation authorities track down and seize the criminal proceeds.



V. The Case of Tsai○○ at Company B Violating the “Securities and Exchange Act”

(1) Summary

(a) Source of Intelligence:

On 23 March 2022, the MJIB got the financial intelligence in which it found that Company B suffered serious loss on transactions in masks, medical gloves, and light cycle oil (LCO), and ergo Company B’s share price plunged (hereafter referred to as the material information). Tsai○○, the person in charge of Company B, was actually involved in the operation and decision-making of the company and became aware of the major unfavorable news about the invalid LCO contract. In order to maintain Company B’s share price, Tsai engaged in insider trading and used the mule accounts he controlled to manipulate Company B’s share price.

(b) Suspects:

Tsai○○ and Yen○○, et. al.

(c) Suspects’ Involvement:

In 2020, Tsai had to maintain Company B’s share price within the NT\$ 70-80 range for the purpose of avoiding forced liquidation by the bank and paymasters owing to price collapse. Being fully aware of the stipulations of the “Securities and Exchange Act” that the prices of securities listed on the stock exchange or traded on over-the-counter markets shall be determined by the law of demand and supply rather than any manipulative act, that he was prohibited “to continuously purchase designated securities at high prices or sell at low prices for his own account or under the names of other parties with the intent to inflate or deflate the trading prices on said securities,” and that he shall not purchase or sell Company B’s shares in his own name or in the name of another prior to the public

disclosure of the material information after it was precise or within 18 hours after its public disclosure, Tsai nonetheless pushed up Company B's share price so as to induce retail investors to purchase Company B's shares and thereby maintained the share price. On top of that, to evade the loss after the public disclosure of the material information, Tsai didn't scruple to disrupt the stock market order and infringe the rights of investors. Tsai and his friend Yen○○ maintained the intention liaison on manipulating Company B's share price and creating the illusion of busy trading. Tsai exploited two of his investment accounts and instructed Yen to assist in finding the remaining 20 mule accounts for his actual control and use. From 1 June 2020 to 31 January 2021, using the aforementioned 22 accounts, Tsai not only personally decided the timing, quantity, and price of orders and continuously purchased Company B's shares at high prices for the purpose of price maintenance, but also created the illusion of active transactions through brisk trading. Retail investors therefore rushed into the market so that Company B's share price spiked, and Tsai sold his shares in advance to evade the loss.

(2) Indicators of Suspicious Transactions

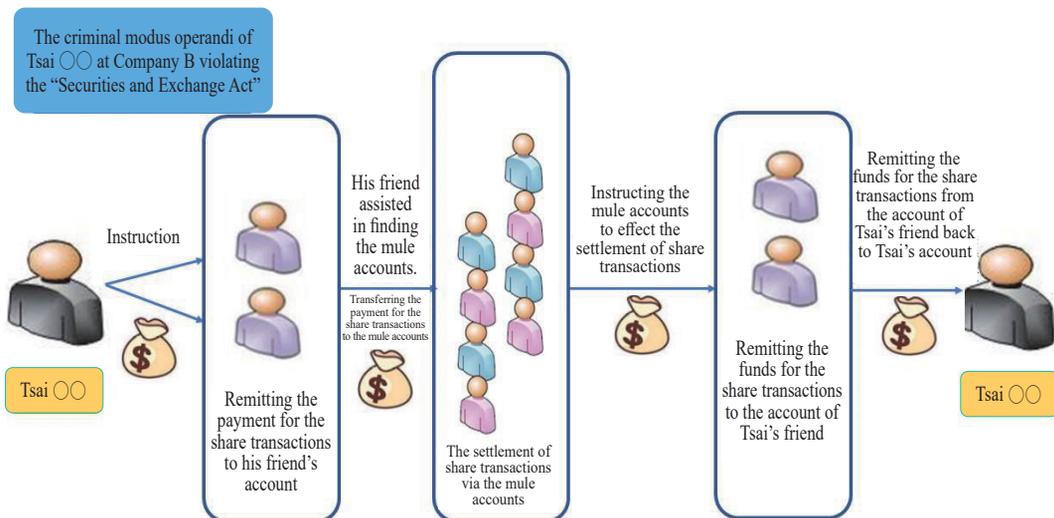
In order to maintain Company B's share price and his insider trading, Tsai used mule accounts and entrusted a third party or the same client's account with different branches of a given securities firm to continuously trade a large amount of stocks through matched order, wash sale, or other means, which embodied the indicator of money laundering.

(3) Experience for Reference

- (a) In this case, Tsai used multiple mule accounts for share transactions, showing the easy accessibility of mule accounts. No sooner did a newly opened mule account pass the account review, than another person becomes the beneficiary. To prevent the prevalence of mule account-related transactions, we suggest an extensive review of the counterparties in the transaction details of each account. If the same

counterparties are identified, the beneficiaries of these different mule accounts can be discovered as soon as possible.

- (b) In this case, the settlement of the share transactions was effected by Tsai’s friend under Tsai’s instruction. If the money for settlement of share transactions is not remitted by the beneficiary per se, we suggest that the agent shall be required to state his/her relationship with the beneficiary and the reason for making the remittance on his/her behalf. Besides, if the agent does not have an account with the bank but handles the deposit and remittance for another person, the bank may request the agent to provide the reason for the transaction. Moreover, financial institutions should strengthen their over-the-counter client care skills to help front-line personnel deter unlawful behavior.
- (c) In this case, all the mule accounts were non-designated salary payment accounts, and all the beneficiaries of these accounts either had no regular income or simultaneously opened several accounts with different banks. On top of that, all the large sums of settlement of the share transactions were not made by the beneficiaries of these accounts. We suggest that financial institutions enhance their mutual notice functions and proactive reporting mechanisms, in order to help curb the misuse of mule accounts.



VI. The Case of the Chairman of the Board Wu○○ of Company C Violating the “Securities and Exchange Act”

(1) Summary

(a) Source of Intelligence:

The MJIB received a financial institution’s report which is summarized as follows. On 15 March 2021, Company D purchased 1,000,000 shares of Company C, which was inconsistent with Company D’s habitual small-amount purchase of Company C’s shares in the past six months. Besides, around 16 o’clock on the same day, Company C released the material information about its 2020 consolidated financial statement. The next day, Company C’s share price skyrocketed. The share transactions in Company D’s securities account were suspected to violate the “Securities and Exchange Act.”

Our analysis indicated that Wu○○ was the person in charge of Company C and Company D, and Chou○○, the fiduciary of Company D’s securities account used for purchasing Company C’s shares in bulk on 15 March 2021, was an employee of Company C. In addition, on 15 March 2021, the settlement account of Company D’s securities account received a fund remitted from Wu’s personal account, and the fund was used for the settlement of the transactions of the aforementioned 1,000,000 shares of Company C. Overall, Wu was suspected of insider trading for he purchased Company C’s shares in the name of Company D right before Company C released its material information.

(b) Suspects:

Wu○○ (the person in charge of Companies C, D, and F) and Wu○○ (the general manager of Company C and the person in

charge of Company E)

(c) Suspects' Involvement:

According to the Opinion of Security Trade analysis made by the Taiwan Stock Exchange Corporation and the internal documents submitted by Company C, the trading closure period of this case was from 14:59 on 2 March 2021 (after the information is precise) to 10:22 on 16 March 2021 (prior to the public disclosure of such information or within 18 hours after its public disclosure).

At 14:59 on 2 March 2021, Company C's chairman of the board Wu and general manager Wu learned the material information that Company C's EPS of 2020 was significantly raised due to the result of its preference share valuation, and ergo they precisely knew that Company C's profit before tax will sour. Under the "Securities and Exchange Act," they shall not purchase Company C's shares during the trading closure period. However, at 9:12 on 15 March 2021, before the shareholders' meeting of Company C, chairman of the board Wu, through his secretary Gong○○, made a LINE voice call and instructed Chou to purchase 1,000,000 shares of Company C by telephone using account A of Company D with ○Securities Firm. The money for the settlement came from chairman of the board Wu's personal account. Wu also demanded Gong to make Chou pass on the instruction to Shih○○, an employee of Company C, to assist Wu in purchasing 1,000,000 shares of Company C by telephone in the name of the fiduciary of account B of Company F with ○Securities Firm on 15 March 2021. The money for the settlement came from Company F's loan account with ○○Bank and the account of his close friend Liu○○ with ○○Bank. Moreover, general manager Wu used Company E's securities account D to purchase 300,000 and 400,000 shares of Company C respectively on 8 and 15 March 2021. While Wu placed the order by telephone on 15 March 2021, he instructed the associated person of the securities firm to raise the daily trading

limit of securities account D, and the associated person therefore extended the limit from 4.99 million to 30 million. The money for the settlement was borrowed from Wu's mother Lin○○. The conducts of Wu and Wu violated Article 157, Paragraph 1, Subparagraph 1 and Article 171, Paragraph 1, Subparagraph 1 of the "Securities and Exchange Act." The pro forma proceeds totaled NT\$ 10,837,500.

(2) Indicators of Suspicious Transactions

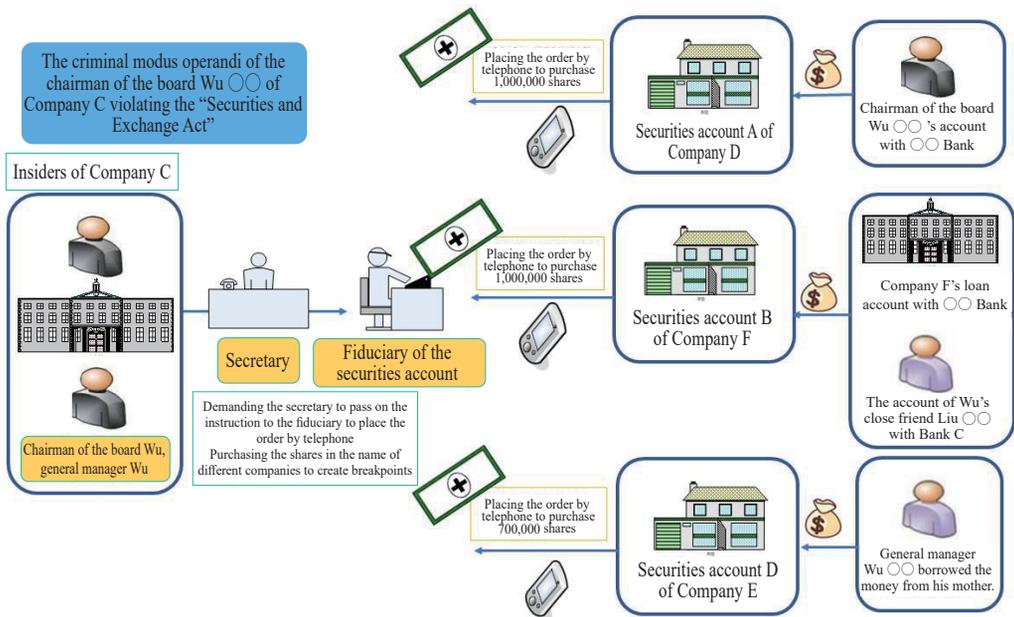
Wu and Wu were unable to reasonably explain their deviation from their previous share trading pattern by purchasing Company C's shares in bulk within a short period of time and by substantially raising their daily trading limit.

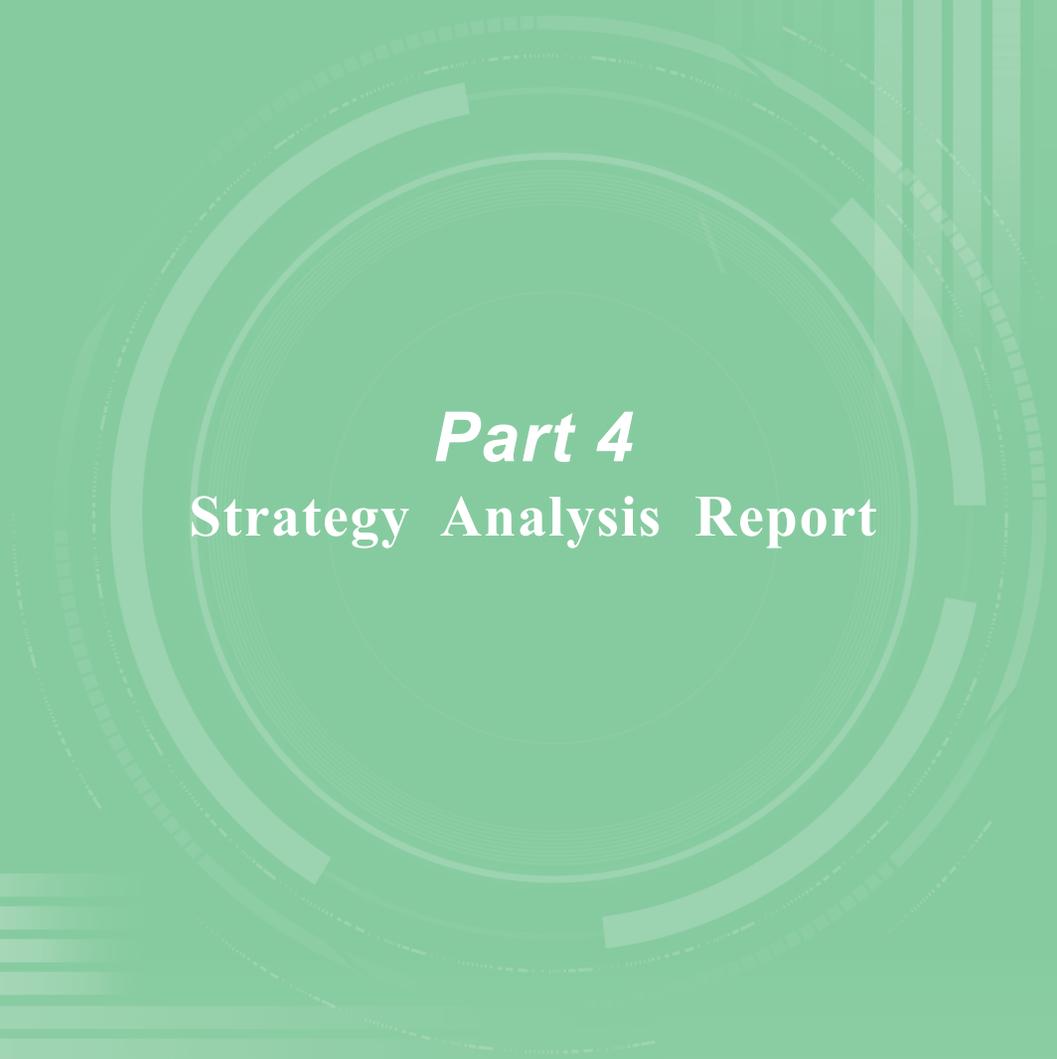
(3) Experience for Reference

- (a) In this case, Wu and Wu deliberately used the securities accounts of other investment companies rather than their personal ones, so as to create breakpoints in the share trading and obstructed judicial authorities to discover the correlations between the investment companies and the target company of insider trading, and thereby evade investigation and seizure. The possibility of insiders of listed companies using non-personal securities accounts to engage in insider trading will be reduced if we pay extra attention to the trading patterns of insiders of listed companies and the securities accounts of the companies registered under their names.
- (b) In this case, When Wu placed the order by telephone on 15 March 2021, he also instructed the associated person of the securities firm to raise the daily trading limit of the securities account from 4.99 million to 30 million. Associated persons of securities firms will be able to detect suspected transactions as early as possible when clients abruptly ask for raising daily trading limit if they immediately

check the correlations between the order-placing persons and the target company shares, or inquire the reasons for daily trading limit extension and file STRs by taking the situations into consideration.

- (c) In this case, the securities firm examined the client’s trading pattern and then identified the abnormality therein, allowing the judicial authorities to initiate investigation and prosecution. Hence, if a securities firm carefully reviews the trading pattern of its client and files an STR to the AMLD when the client abruptly places a bulk order for the shares of any given company, we will be more capable of detecting stock market crimes such as insider trading and ensuring the stability of the securities market.





Part 4
Strategy Analysis Report



The Status Quo of China UnionPay Cards and Associated Risks of Money Laundering⁴

I. Brief Introduction to China UnionPay Cards

(1) Background

- (a) In March 2002, the People's Bank of China incorporated 18 bank card⁵ information exchange centers. Then China UnionPay was founded by 85 financial institutions such as China Banknote Printing and Minting Corporation, Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, Bank of Communications, and so forth. China UnionPay's headquarters are located in Shanghai, and its registered capital is ¥2.93 billion RMB. China UnionPay mainly provides the service of inter-bank payment settlement.
- (b) According to the information on its official website, China UnionPay has 36 domestic branches and 50 overseas branches by 2021, including UnionPay International and Shanghai Lianyin Venture Capital (both are wholly-owned subsidiaries) as well as other subsidiaries it holds such as China UnionPay Merchant Services, China UnionPay Information Services, Beijing UnionPay Card Technology, and China Financial Certification Authority. The services provided by China UnionPay cover 180 countries and regions around the world.

4 This report was completed by Lan Chia-Jui (director, AMLD) and Lin Ko-Fan (investigator, AMLD) on 20 May 2022.

5 Bank cards refer to the plastic cards issued by commercial banks to their clients. Bank cards perform the functions such as cash withdrawal, payment, and wire transfer. The most common bank cards include debit cards and credit cards.

- (c) China UnionPay, VISA (headquarters in San Francisco, U.S.), MasterCard (headquarters in New York, U.S.), JCB (headquarters in Tokyo, Japan), and American Express (headquarters in New York, U.S.) are international credit card issuers. China UnionPay has long monopolized the bank card market of China.⁶ It became the largest bank card clearing and settlement institution in terms of transaction volume in 2015 (US\$ 21.6 trillion in total, comprising 37% of the global market share). It has issued more than 2 billion bank cards. However, excluding the domestic transaction volume, China UnionPay took only 0.5% of the global bank card market share. VISA and MasterCard respectively have 50% and 31% of the global bank card market share.
- (d) China UnionPay is actively trying to enter the emerging markets such as the Republic of the Union of Myanmar, the Republic of Kazakhstan, and the Democratic Republic of the Congo where a full-fledged payment system remains wanting. China UnionPay is also trying to improve the insufficient international recognition of Chinese brands, especially in the financial sector, by accelerating its internationalization process. In recent years, China UnionPay has also developed diversified financial commodities such as Quick Pass,⁷ mobile payment, online payment, and other innovative payment instruments.

⁶ In June 2020, Express (Hangzhou) Technology Service Co. Ltd., a joint-venture company co-founded by American Express and LianLian DigiTech Co. Ltd., was approved by the People's Bank of China and the China Banking and Insurance Regulatory Commission to provide credit card clearing and settlement services. It is the sole foreign credit card issuer holding the license for bank card clearing and settlement services in China, yet its market share remains small. In addition, many banks in China issue co-branded cards with VISA or MasterCard, but most of the cards are used for foreign currency exchange only. They have low penetration rate in China because many businesses do not accept them, hence China UnionPay's de facto monopoly in the bank card market of China.

⁷ Quick Pass is a mobile payment application launched by China UnionPay in collaboration with commercial banks and payment institutions in China in December 2017. It adopts the contactless payment using PBOC/UICC chip card technology, allowing China UnionPay card holders to complete their payment without the need to insert their cards into point-of-sale (POS) terminals.

(e) In concert with the international sanctions against Russia, VISA and MasterCard have suspended their bank card services in Russia since the outbreak of the Russo-Ukrainian War. China UnionPay and local banks in Russia launched the co-branded cards with MIR Pay.⁸ There are currently 10 Russian banks issuing China UnionPay cards. According to the newspaper report,⁹ the number of China UnionPay cards issued in Russia has multiplied.

(2) Issuers

- (a) China: All commercial banks that issue bank cards are China UnionPay card issuers.
- (b) Hong Kong and Macau: China UnionPay card issuers include Hongkong and Shanghai Banking Co. Ltd., Hang Seng Bank, Bank of China (Hong Kong), Nanyang Commercial Bank, Chiyu Banking, DBS Bank (Hong Kong), Bank of East Asia, Industrial and Commercial Bank of China (Asia), China Construction Bank (Asia), Citibank Hong Kong, Shanghai Commercial & Savings Bank, Aeon Credit Service (Asia), and PrimeCredit Limited.
- (c) Overseas: there are also banks in the United States, Japan, South Korea, Singapore, Kazakhstan, Mongolia, and Russia that issue China UnionPay cards.

(3) Types of Cards and Ways of Transaction

- (a) Debit Card: Debit cards are issued by card issuers to cardholders having bank deposits. Debit cards can be used for purchase and cash withdrawal but without overdraft facilities. In terms of function, debit cards can be categorized into transfer cards (incl. savings cards),

⁸ MIR Pay is a Russian card payment system established by the Central Bank of Russia in 2017.

⁹ “Cards issued by VISA and MasterCard have been suspended in Russia, and the number of China UnionPay cards issued in Russia has multiplied,” Economic Daily News, 25 March 2022.

exclusive cards, and stored-value cards. Debit cards can be used for payment, cash withdrawal, and transfer. Most banks in China have no restriction on the applicants' occupations and incomes (i.e. no credit check). People can apply for debit cards and receive them over the counter simply with their valid ID cards. When the cardholders make purchases at home or abroad, they need to enter a 6-digit password for verification, and then sign on the slip.

- (b) Credit Card: Credit card holders can make purchases first and payment later within their credit limits set by the card issuers. Many countries such as Taiwan, Japan, the United States, and Singapore accept China UnionPay credit cards and support “transaction by signature” without the need of any password.
- (c) Co-branded Card: The two card issuers are indicated on co-branded cards (i.e. China UnionPay and a foreign card issuer), such as China UnionPay-VISA cards or China UnionPay-MasterCard cards. Co-branded cards aim to remove the restrictions upon foreign card issuers' engagement in the financial transactions in China and the low acceptance of China UnionPay cards abroad. When the cardholder made a purchase at China UnionPay POS in China, the balance will be settled through the China UnionPay transaction channel. When the cardholder made a purchase at a POS outside of China, the balance will be settled through the transaction channel of the foreign card issuer. The transaction is completed by signature without the need to enter any password.

II. The Current Use of China UnionPay Cards in Taiwan

(1) Preparatory Branch Office in Taiwan

- (a) UnionPay International, a subsidiary of China UnionPay, has prepared for its branch office in Taiwan since 2004 in order to promote the

use of China UnionPay cards in Taiwan. The preparatory office is not yet officially operating because it has not passed the inspection. Nonetheless, there are about 4-5 employees at the preparatory office paid directly by the headquarters of UnionPay International in Shanghai.

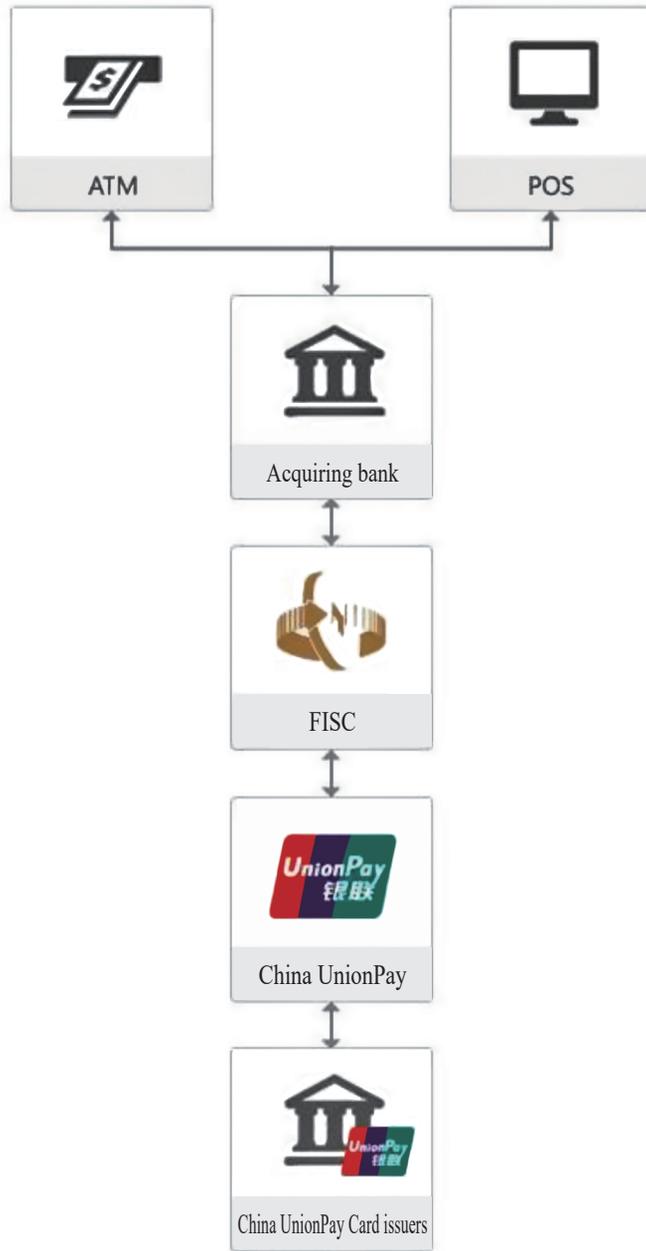
- (b) China UnionPay card issuers in Taiwan: No financial institution in Taiwan issues China UnionPay cards so far.

(2) Transaction Patterns

- (a) Clearing Institution: There are two China UnionPay card clearing institutions in Taiwan: Financial Information Service Co., Ltd. (FISC) and National Credit Card Center of R.O.C. (NCCC). FISC provides China UnionPay card holders with services of ATM withdrawal, cash advance, balance inquiry,¹⁰ and settlement of POS purchases. NCCC provides China UnionPay card holders with only the settlement service of POS purchases. China UnionPay card holders can make their purchases at the POS in Taiwan that accept China UnionPay cards.¹¹
- (b) Clearing Mechanism: Take FISC for example. A transaction will be firstly confirmed by the cardholder with signature or entering the password, and the transaction will be passed to FISC via a financial institution in Taiwan. Then the transaction will be verified by the card issuer in China who receives it from UnionPay International via FISC. After being verified by the card issuer in China, the transaction information will be transmitted by UnionPay International back to the agent financial institution in Taiwan via FISC, and the ATM withdrawal, balance inquiry, or POS purchase will be completed. The clearing mechanism is illustrated below.

¹⁰ China UnionPay cards do not provide transfer and deposit services abroad.

¹¹ POS terminals in Taiwan usually accept different types of cards (e.g. VISA, MasterCard, and China UnionPay) rather than one POS terminal for a specific type of card. Accordingly, POS terminals in Taiwan also accept China UnionPay cards, but it still depends on whether the businesses accept them.



- (c) The financial institutions providing ATM acquiring service (28 institutions in total, incl. FISC): There are around 21,760 ATMs providing cash withdrawal service for China UnionPay card holders in Taiwan.

Bank Code	Financial Institutions	Bank Code	Financial Institutions
004	Bank of Taiwan	005	Land Bank of Taiwan
006	Taiwan Cooperative Bank	007	First Commercial Bank
008	Hua Nan Commercial Bank	009	Chang Hwa Commercial Bank
011	Shanghai Commercial & Savings Bank	012	Taipei Fubon Commercial Bank
013	Cathay United Bank	016	Bank of Kaohsiung
017	Mega International Commercial Bank	050	Taiwan Business Bank
052	Standard Chartered Bank	053	Taichung Commercial Bank
081	HSBC Bank (Taiwan)	103	Shin Kong Commercial Bank
108	Sunny Commercial Bank	118	Bank of Panhsin
147	COTA Commercial Bank	700	Chunghwa Post Co., Ltd.
803	Union Bank of Taiwan	805	Far Eastern International Bank
806	Yuanta Commercial Bank	807	Bank SinoPac
808	E.SUN Commercial Bank	809	KGI Commercial Bank
812	Taishin International Bank	822	CTBC Bank

- (d) The financial institutions providing acquiring service for China UnionPay credit card holders (24 institutions in total):

Bank Code	Financial Institutions	Bank Code	Financial Institutions
004	Bank of Taiwan	005	Land Bank of Taiwan
006	Taiwan Cooperative Bank	007	First Commercial Bank
008	Hua Nan Commercial Bank	009	Chang Hwa Commercial Bank
011	Shanghai Commercial & Savings Bank	012	Taipei Fubon Commercial Bank
013	Cathay United Bank	016	Bank of Kaohsiung
017	Mega International Commercial Bank	050	Taiwan Business Bank
053	Taichung Commercial Bank	103	Shin Kong Commercial Bank
108	Sunny Commercial Bank	803	Union Bank of Taiwan
806	Yuanta Commercial Bank	807	Bank SinoPac
808	E.SUN Commercial Bank	809	KGI Commercial Bank
812	Taishin International Bank	822	CTBC Bank
	National Credit Card Center of R.O.C.		Global Payments Asia-Pacific (Hong Kong) Ltd., Taiwan Branch

(3) Restrictions on Transactions

China UnionPay card holders can make ATM withdrawal, balance inquiry, and purchase payment, but not transfer, deposit, and over-the-counter cash withdrawal outside of China. Under the regulations of the State Administration of Foreign Exchange of the People's Republic of China, China UnionPay card holders can withdraw ¥10,000 RMB (about NT\$ 44,000 according to the exchange rate on 19 May 2022) per card per day outside of China. Since the interbank withdrawal in Taiwan allows at most NT\$ 20,000 per time, China UnionPay card holders who want to withdraw ¥10,000 RMB have to make withdrawal at least three times.

In addition, an individual China UnionPay card holder is not allowed to withdraw more than ¥100,000 RMB per year outside of China, otherwise they will be suspended from cash withdrawal outside of China till the end of the next year.

(4) Statistics on Transactions

- (a) UnionPay International used to release the statistics on transactions using China UnionPay cards in Taiwan. In recent years, however, it has refused to release relevant statistics due to the sharp fall-off in the number of Chinese tourists as well as in the transaction volume of China UnionPay cards in Taiwan. In 2015, China UnionPay pointed out that the amount of cash withdrawal made with China UnionPay cards in Taiwan exceeded NT\$ 100 billion (54% of the total transaction volume), whilst the amount of purchase payment was around NT\$ 85.2 billion (46% of the total transaction volume).
- (b) FISC and banks providing acquiring services for China UnionPay card holders will report the amount of ATM withdrawals and purchase payments on a monthly basis to the Banking Bureau of the FSC and the reporting platform of the Central Bank of R.O.C. (Taiwan).

III. Common Criminal Patterns Involving China UnionPay Cards

(1) Forging China UnionPay Cards

The criminals collude with unscrupulous dealers in China who install card skimmers on POS terminals to clone the codes stored in the magnetic stripe of the cards and then forge cards for purchase or withdrawal. In 2017, several Taiwanese criminal suspects were arrested in Japan for using forged China UnionPay cards in ATM withdrawal.

(2) Buying or Reselling China UnionPay Cards

This is the most commonly seen criminal pattern involving China UnionPay cards. Criminal syndicates acquire China UnionPay cards in bulk and resell them to scam syndicates as mule accounts.

(3) Laundering Criminal Proceeds

Criminal syndicates launder their criminal proceeds from China by “cashing out through purchase payments” with China UnionPay cards in Taiwan, or finding money mules to make frequent ATM withdrawals with China UnionPay cards.

(4) Illegal POS Terminals for China UnionPay Cards

Businesses obtain illegal POS terminals directly from China or Hong Kong, seeking to evade taxes by circumventing the clearing mechanism in Taiwan. In 2012, unscrupulous dealers introduced China UnionPay’s overseas POS terminals to businesses in Taiwan. After a Chinese tourist made a purchase payment, the transaction was passed to the payment institution in Hong Kong and to China UnionPay’s branch in Guangzhou, China, and the settlement was finally made by China UnionPay. These businesses in Taiwan evaded not only the auditing by NCCC, but also business tax and business income tax.

IV. The FIU’s Observation

(1) The Financial Institution Monitoring Mechanism

Via the FSC, the AMLD suggests that banks strengthen their STRs on abnormal withdrawals made through China UnionPay cards. The Bankers Association of R.O.C. (Taiwan) set up the following monitoring indicators (suspicious signs of money laundering) after it was informed by the FSC.

- (a) More than 20 successful withdrawals made through China UnionPay cards from the same ATM on the same business day;
- (b) Consecutive withdrawals made through multiple China UnionPay cards in a short period of time;
- (c) Single transaction made through a China UnionPay card and the transactions made through the card on the same business day both reach their respective capped amounts, or consecutive small-amount withdrawals are made through multiple China UnionPay cards, which seems to be a test attempt.

(2) Suspicious Signs of Money Laundering

The AMLD, the FSC, and the Bankers Association have provided financial institutions such as banks and credit card issuers with the “Suspicious Transaction Patterns of Money Laundering and Terrorist Financing” in different trades as a guide to detect abnormal transactions and file STRs. The indicators involving China UnionPay cards are, to mention some, “consecutive withdrawals made through a single China UnionPay card reaching specific times or a specific amount on the same day,” “a client making multiple cash withdrawals within a certain period of time and the sum exceeding a specific amount,” and “other apparently abnormal transactions.” The reporting institutions should autonomously follow a risk-based approach to file STRs.

V. Conclusions

(1) The Trend of the Use of China UnionPay Cards in Taiwan

The precise transaction volume using China UnionPay cards in Taiwan is unknown because the number of Chinese tourists in Taiwan has dwindled rapidly in recent years, but we know that the transaction volume using China UnionPay cards in Taiwan is declining vis-à-vis the volume 10 years ago when China UnionPay cards prevailed. Declining transaction volume notwithstanding, cross-strait financial activities remain closely connected, particularly scam and card-forging syndicates who still exploit China UnionPay cards as an instrument of crime.

(2) Transferring Criminal Proceeds through China UnionPay Cards and Other Channels

If criminals want to transfer their criminal proceeds from abroad to Taiwan, they can either make withdrawal or purchase directly with China UnionPay cards, or increase the sophistication and layers of their money laundering techniques by colluding with jewelry stores, underground banking, travel agencies, and firms, so as to effectively conceal the source of their criminal proceeds.



Part 5
**FATF Report: Money Laundering from
Fentanyl and Synthetic Opioids**



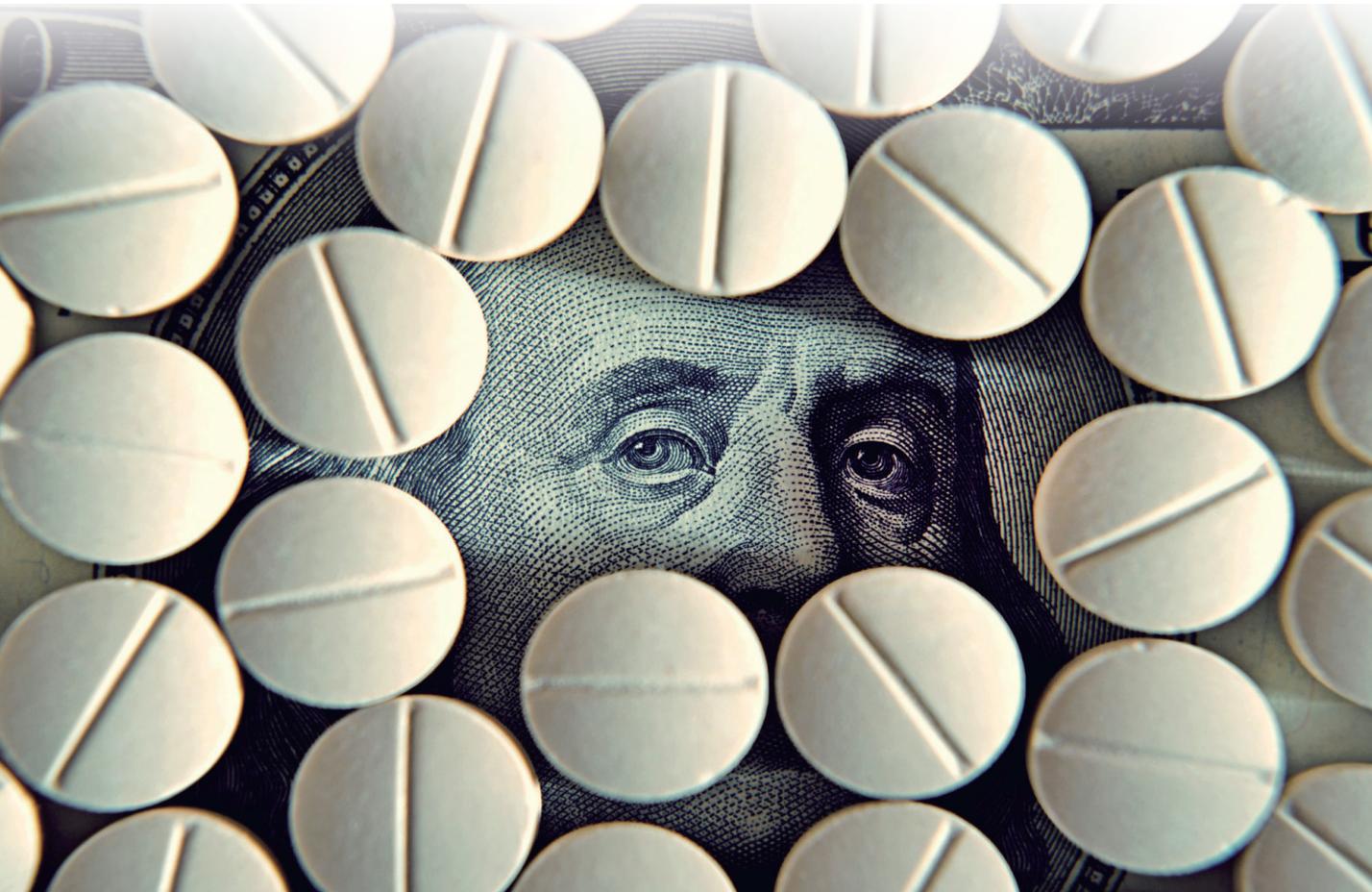
FATF



FATF REPORT

Money Laundering from Fentanyl and Synthetic Opioids

November 2022





The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard.

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Table of Acronyms

AML/CFT	Anti-money laundering/countering the financing of terrorism
AMLO	Asian Money Laundering Organisation
DNFBP	Designated non-financial businesses and professions
FATF	Financial Action Task Force
FI	Financial Institution
FIU	Financial Intelligence Unit
ML	Money Laundering
MSB	Money Service Business
MVTS	Money or Value Transfer Service
OCG	Organised Crime Group
PML	Professional Money Launderer
PMLN	Professional Money Laundering Network
STR	Suspicious Transaction Report
TBML	Trade-based Money Laundering
VA/VASP	Virtual Asset/Virtual Asset Service Provider

Executive Summary

Organised crime groups are fuelling a synthetic opioid crisis, which has contributed to hundreds of thousands of deaths by overdose in the past decade. In Canada and the United States alone¹, the trafficking of fentanyl is fuelling an overdose epidemic and claiming around 80 000 lives a year. In the Middle East and North Africa, sub-Saharan Africa and South Asia, tramadol (and other similar drugs) are causing regional public health emergencies with growing rates of addiction to illicitly obtained pharmaceutical opioids.

Synthetic opioids supply chains are diverse, and so are the methods used to launder the proceeds. There does not appear to be a single, global “business model”. Rather, the methods vary on a country-by-country and drug-by-drug basis.

Organised crime groups who traffic in synthetic opioids use a range of methods to move the illicit proceeds across borders. These include bulk cash smuggling; cash couriers; trade-based money laundering; un-authorized money or value transfer services or the banking system; and money brokers. Criminal groups also use dark web vendor sites to market their products and, in some cases, take payment through virtual assets, some of which are anonymity-enhancing. These virtual assets are often quickly converted into fiat currency. Traffickers use shell and front companies to launder proceeds, but also procure drugs, precursor chemicals and production equipment with the proceeds.

Whereas fentanyl was procured in the past directly from chemical producers, the class-wide scheduling of most fentanyl-related substances means that today, criminals use precursor chemicals to manufacture drugs such as fentanyl. This relatively recent trend can make it difficult to detect suspicious financial activity.

Like other forms of drug trafficking, professional money-laundering networks provide their services to drug traffickers and organised crime groups. For example, there is evidence that Asian money laundering organisations co-ordinate transfers of value, by using methods that do not require money to move directly across international borders (e.g., mirror and hawala-style transfers, and other money value transfer services).

Many authorities do not fully understand the global money flows from opioids, or do not know how to identify potential procurement of chemicals, or laboratory and other specialised production equipment. In some jurisdictions, relevant authorities and reporting entities such as banks and money value transfer services look at opioids trafficking through a domestic lens, whereas this illicit trade involves major transnational organised crime groups and professional money launderers.

To address these and other challenges, jurisdictions should consider implementing the following practices:

- Ensure more rigorous risk assessment practices to develop more robust legal and regulatory frameworks to combat illicit opioids. Competent authorities

¹ Canada currently accounts for an estimated 6 300 fentanyl related opioid deaths per annum and the United States for 69 400. Center for Disease Control and Prevention (2022) “Month-ending Provisional Number of Drug Overdose Deaths by Drug or Drug Class: United States” and Parliament of Canada (2022) “The Opioid Crisis in Canada”.

should better co-ordinate and share information and intelligence on the methods used to launder the illicit proceeds from emerging drug trade.

- Prosecutors and law enforcement authorities, including those with extensive background in financial investigations (which could include financial intelligence units, customs and relevant anti-money laundering (AML) and counter terrorism financing (CFT) authorities), should obtain additional training on investigations into the financial elements of the precursor supply chain. The training should include knowledge of how companies (e.g., pharmaceutical and chemical importers) may be deliberately or unwittingly providing raw materials to organised criminal groups.
- Countries should, on a bilateral, regional, and multilateral basis, identify and leverage existing mechanisms to expand international co-operation on combating synthetic opioid supply chains.
- Countries should ensure that the private sector is aware of the risks of new technologies (including dark web marketplaces and digital assets) to launder the proceeds of drug trafficking and take appropriate measures to deny criminals access to their business platforms or products.

This report includes a comprehensive list of proposed actions to strengthen measures to address this deadly trade and risk indicators for operational authorities.

Introduction

1. The organised criminal production and trafficking of synthetic opioids generates revenues worth tens of billions of dollars annually², while overdoses kill tens of thousands each year³. Taking the profits out of synthetic opioid trafficking is one of the most effective ways to address a growing transnational crime and a public health emergency in several countries. Regrettably, investigations into and prosecutions of the laundering of proceeds from synthetic opioids trafficking remain low despite the staggering number of fatal overdoses and other public health incidents related to synthetic opioids around the world. Based on worldwide estimates, governments are seizing only a small fraction of the laundered funds, with authorities recovering less than 1% of proceeds of crime more generally through their criminal justice systems across all proceeds generating offences.⁴ Complex criminal investigations of large-scale money laundering schemes and professional money laundering are rare in many jurisdictions. In a lot of cases, authorities pursue drug-related offences without a parallel financial investigation, often due to lack of prioritisation, resourcing, or legal authority.
2. According to the 2022 United Nations Office on Drugs and Crime (UNODC) World Drug Report (2022 WDR), there are two epidemics of the non-medical use of opioids: illicitly manufactured fentanyl in North America, and tramadol⁵ in North and West Africa, the Middle East, as well as South-West Asia.⁶ While currently limited to certain geographies, most if not all countries with existing mature markets for opioid use could be vulnerable to the introduction of synthetic opioids under certain conditions.⁷ Many countries serve as the source or transit point for critical inputs —such as precursor chemicals or production equipment⁸— into the production of synthetic opioids, even if they are not major hubs of the manufacturing of the substances themselves. Meanwhile, OCGs who traditionally trafficked drugs have incorporated the trade of illicit synthetic

² Eurojust (2021), “Eurojust Reporting on Drug Trafficking”,

³ See: US Center for Disease Control and Prevention (2022) “Understanding the Drug Overdose Epidemic”; Canada (2022) “Opioid- and Stimulant-related Harms in Canada” and EMCDDA (2022) “Drug Overdose Deaths in Europe”.

⁴ FATF (2022) “FATF and INTERPOL intensify global asset recovery,” www.fatf-gafi.org/publications/methodsandtrends/documents/fatf-interpol-2022.html.

⁵ Law enforcement has also warned about tapentadol, a non-scheduled synthetic opioid analgesic similar to tramadol INCB, (2021), “Operation New Horizons identifies new trafficking in tapentadol, an emerging synthetic opioid, (May 10, 2021)” www.incb.org/incb/en/news/news_2021/incb-operation-new-horizons-identifies-new-trafficking-in-tapentadol--an-emerging-synthetic-opioid.html.

⁶ According to the UNODC World Drug Report (2022), “[u]se of fentanyls has been reported by several other countries, although currently, there are no indications of an epidemic of non-medical use and related health consequences outside North America.” [WDR22 Booklet 1.pdf \(unodc.org\)](#), pg. 64.

⁷ After citing a number of factors explaining the rapid spread of fentanyl use in North America, the World Drug Report noted, “[c]onsidering these factors, fentanyls remain a potential threat in opioid markets. The spread of fentanyls could occur rapidly if market dynamics result in a shortage of the main opioid used in any of the markets.” (WDR, Booklet 3, p. 111.).

⁸ For example, pill presses; die molds; encapsulating machines, and parts that contribute to making fentanyl pills from the drug’s powder form.

opioids into their wider sale of narcotics and exploit financial systems in countries not directly involved in the supply chain to launder proceeds.

3. Many aspects of this report—findings on market dynamics, risk indicators, and recommended actions—are specific to the trafficking of illicit synthetic opioids. Other aspects, particularly with respect to sophisticated, high-value professional money laundering, may be more broadly applicable to multiple types of drug trafficking. Particularly for professional and third-party money laundering networks, proceeds from synthetic opioid trafficking are co-mingled with the proceeds from a variety of drug trafficking and other illicit financial activity.

Objectives of this Report and Intended Audiences

4. In the 4th round of Mutual Evaluations (which began in 2013), more than two-thirds of countries identified drug trafficking as the major predicate offences posing money laundering risk, followed by corruption, fraud, and tax crimes.⁹ Nearly all countries continue to experience significant deficiencies in investigation and prosecution of money laundering in line with a risk-based approach. As of April 2022, just 19 percent of countries are conducting investigations and prosecutions effectively in line with their risks.¹⁰ Many countries have also shown a limited understanding of cross-border money laundering risks. This highlights the extent to which countries must improve their ability to conduct investigations of complex money laundering schemes related to major predicate offences.¹¹
5. This report aims to (1) assist law enforcement and other operational authorities in carrying out effective financial investigations and prosecutions related to the proceeds from the trafficking of illicit synthetic opioids and to (2) raise awareness and contribute to the existing literature regarding the devastating impact of synthetic opioids trafficking. Based on lessons learned, this report will assist law enforcement authorities and relevant stakeholders by providing risk indicators and recommendations to detect and tackle the financial flows from synthetic opioid trafficking. The report provides operational and policy options and tools to detect, investigate and disrupt the finance that supports organised criminal groups and related professional money launderers.
6. The findings for this report are based on case studies and good practices from 40 countries, alongside information and analysis gathered from the project team’s consultations with law enforcement and civil society.
7. By engaging relevant law enforcement agencies in discussions and analysis of this topic, the project has already helped to bring attention to the financial crimes component of opioids trafficking, and encouraged bilateral and multilateral engagement and discussions around this issue.

⁹ FATF (2022), “Report on the State of Effectiveness and Compliance with the FATF Standards”, www.fatf-gafi.org/media/fatf/documents/recommendations/Report-on-the-State-of-Effectiveness-Compliance-with-FATF-Standards.pdf

¹⁰ Ibid, pg. 38. “Just 19% of the 120 assessed jurisdictions are demonstrating high or substantial levels of effectiveness in investigating, prosecuting and convicting money laundering offences and confiscating the proceeds of crime.” Ibid, pg. 38.

¹¹ Ibid, pg. 38

8. In addition to a principal focus on synthetic opioids, this report also updates the FATF Global Network on changes to the business model for organised criminal groups that are laundering proceeds from drug trafficking, since the FATF's 2014 report.¹² In turn, this will impact money laundering risk and context in certain jurisdictions. These new trends include:
 - A diversion of chemical precursors (or in the case of tramadol the manufactured pills) in the supply chain that supports synthetic drug production, and the procurement of production equipment.
 - The proliferation of professional money laundering networks that obfuscate financial flows linked to illicit activity and distance organised criminal groups from the money laundering,
 - The role of digital payment platforms, including virtual asset service providers (VASPs), in the purchase of illicit narcotics, as well as the laundering of proceeds. Some of this activity takes place on dark web marketplaces, where synthetic drugs are a popular product.
9. This report highlights these methods to the extent they apply to synthetic opioid trafficking, but they are also used in the wider narcotics trade.
10. This report is intended for use by a variety of stakeholders involved in the investigation and prosecution of narcotics trafficking offences, and financial crime professionals including:
 - Police, including specialized counter-narcotics units or offices
 - Customs and export control agencies
 - Prosecutors
 - Financial Intelligence Units (FIUs)
 - All relevant members of the investigation and related regulator community (to include, for example, tax authorities and supervisors)
 - Policy practitioners
 - Relevant private sector and compliance professionals (e.g., internal AML/CFT teams)
11. Information in this report may also be useful for developing training material designed to support financial investigations in this area (e.g., UNODC and other relevant technical assistance providers) and to support countries with capacity challenges to leverage their AML regimes to combat illicit synthetic opioid trafficking. This report can also help financial sector stakeholders better understand the risks and recognise patterns of suspicious behaviour that could indicate the misuse of their products or services for money laundering and narcotics trafficking.

¹² FATF (2014), "Financial flows linked to the production and trafficking of Afghan opiates" www.fatf-gafi.org/fr/documents/alaune/financial-flows-afghan-opiates.html.

Opioids and their Supply Chains

Synthetic Opioids and their Precursors

12. Synthetic opioids, including fentanyl and its analogues, are among a category of drugs that pose a significant potential for substance use disorder due to their potency. Other opioids like tramadol are less potent and less likely to be fatal, but widespread in their prevalence and impact, and their illicit sale and use is causing widespread challenges for many countries, particularly in the developing world.

Fentanyl and analogues

13. Fentanyl trafficking is most prevalent in North America.¹³ Fentanyl drugs found on the illicit market are sometimes used as less-expensive replacements for heroin, and increasingly and alarmingly, as adulterants in other narcotics.¹⁴ While only accounting for 3% of global seizures of pharmaceutical opioids by weight,¹⁵ fentanyl and fentanyl analogue seizures account for the vast majority of deaths from overdoses in this category. These drugs present a particular challenge in overdoses because of its high potency (up to 50 times more potent than heroin and 100 times more potent than morphine). Higher potency also means smaller quantities per 'dose' which makes the drug easier to smuggle and harder for authorities to intercept. They can be consumed as a powder, nasal spray, rock form, patches, candy-like form or pill, and transportation of the drug is low-cost. In addition, consumers may use opioids in combination with central nervous system depressants such as *benzodiazepines*, and this combination has been shown to increase the risk of respiratory depression.¹⁶
14. Organised criminal groups also sell fentanyl as an ingredient in fake drugs, including ones purporting to be *Xanax*.¹⁷ Traffickers press fentanyl into pill form with widely varying dosage levels in uncontrolled environments. As a result, many pills carry a lethal dose of fentanyl. Consumers of pill-form fake drugs are often unaware that they are consuming these. Fentanyl is likely responsible for hundreds of thousands of overdoses each year, of which many are fatal.¹⁸

¹³ UNODC (2021) *World Drug Report* Booklet 4

¹⁴ UNODC (2022) *World Drug Report* Booklet 3 - Trends in overdose deaths attributed to pharmaceutical opioids and heroin.

¹⁵ Ibid. Note: Lower seizure volumes compared to other opioids may also reflect the recent trends of importing precursors of opioids.

¹⁶ United States National Institute on Drug Abuse (2020), *Benzodiazepines and Opioids*. <https://nida.nih.gov/drug-topics/opioids/benzodiazepines-opioids>.

¹⁷ US Drug Enforcement Administration (2021), "Drug Fact Sheet: Counterfeit Pills," www.dea.gov/sites/default/files/2021-05/Counterfeit%20Pills%20fact%20SHEET-5-13-21-FINAL.pdf

¹⁸ United States Center for Disease Control and Prevention (2022), *Provisional Drug Overdose Death Counts* www.cdc.gov/nchs/nvss/vsrr/drug-overdose-data.htm and Canada (2022) "Opioid and Stimulant-related Harms in Canada" <https://health-infobase.canada.ca/substance-related-harms/opioids-stimulants/>

Other Opioids – (tramadol and others)

15. Other opioid products of concern include tramadol, a synthetic opioid not under international control.¹⁹ Opioid disorders are reported mainly in West, Central and North Africa as well as in the Middle East, southwest Asia.²⁰ From 2016-2020, tramadol seizures accounted for 54% of global pharmaceutical opioid seizures by weight.²¹ Other products include codeine (which accounted for 38% of seizures during this same period). The misuse of tramadol arises from diversion of pharmaceutical supplies to illicit recreational use.²² While the rapid spread of the non-medical use of tramadol is evident, there is still a lack of information about how tramadol is traded and used and its impact on health (or on drug-related deaths and overdoses).

Precursor Chemicals

16. With recent class-wide scheduling placed on fentanyl and fentanyl-related substances from countries of origin,²³ seizures involving precursor chemicals used for the production of synthetic opioids are rising. The latest figures suggest that clandestine laboratories of synthetic opioids are now being built in new source countries or are now located within consumer countries. Laboratories producing drugs such as fentanyl with precursor chemicals have been detected in North America, especially in Mexico and Canada, often under the control of organised criminal groups.
17. Currently, there do not appear to be significant cases of procurement of precursor chemicals for drugs such as tramadol.

Source, Transit and Destination countries

18. Fentanyl trafficking patterns have shifted over the last several years in response to government and law enforcement responses. Until 2019, most fentanyl-related substances originated from East Asia and in finished (powder) for consumption in North America. During this period, countries such as Mexico or Canada served as a transit or processing point for the fentanyl to be pressed into pills. Criminal groups would then move these pills through their distribution

¹⁹ Though not under international control, in many jurisdictions it is only obtainable legally with a prescription.

²⁰ UNODC (2022), *World Drug Report* Booklet 1, (Tramadol is present to a lesser extent in south and southeast Asia and Central Europe.) www.unodc.org/res/wdr2022/MS/WDR22_Booklet_1.pdf.

²¹ UNODC (2022) *World Drug Report* Booklet 3. Tapenadol is also a relatively new form of opioid that is similar to tramadol and emerging as a risk.

²² This includes licensed, unlicensed and counterfeit production of tramadol.

²³ This includes for example the ban on sale of Fentanyl in China – In April 2019, the Government of China announced that it would add fentanyl-related substances to the Supplementary List of Controlled Narcotic Drugs and Psychotropic Substances with Non-medical Use. The new measures were effective as of 1st May 2019 (www.unodc.org/LSS/announcement/Details/f2adea68-fbed-4292-a4cc-63771c943318).

networks into the United States or within Canada.²⁴ Direct courier and postal shipments were also common. However, from 2017-2019, countries imposed additional controls on the trade of fentanyl-related substances. For example, in May 2019, China announced that it added all fentanyl-related substances (including analogues) to a list of banned substances.²⁵ This effort was also complemented by investigations by Chinese law enforcement on online drug market operators (see example below).²⁶

Box 2.1. Case Study: Cross-Border Information Sharing on Fentanyl Trafficking

In 2017, the US law enforcement authorities notified the Narcotics Control Bureau (NCB) of the Ministry of Public Security (MPS) of China that US authorities had investigated and confirmed that a suspect was involved in a fentanyl smuggling case. The US authorities only lead was a phone number and requested that Chinese authorities assist in the investigation.

The NCB of M.P.S drug control departments initiated a comprehensive investigation and finally discovered the identity of the suspects and the facts of the crime. As a result, the entire illegal network of manufacturing smuggling and trafficking fentanyl was dismantled.

According to the NCB investigation, one suspect established a technology and biological Company from November 2016 to November 2017. Overseas customers contacted the company's salesman through email or instant messaging software making inquiry and ordering non-scheduled new psychoactive substances with payment made through large money remitter. After receiving the payment, the main suspect instructed his associates to purchase substances from the drug manufacturing den, then mailed them out of the country through international express channels.

Chinese authorities promptly notified their US counterpart of the information about the US-related parcels, and officials responsible for international co-operation from both sides kept informing each other of the investigation progress in real-time. In August 2018, the Chinese task force went to the United States for investigation and evidence collection and held a press conference with their US counterparts. The main suspect and other defendants were sentenced to imprisonment and other severe penalties in China in accordance with the Criminal Law.

Source: China

²⁴ For a discussion of the changing dynamics of the trade, see Commission on Combating Synthetic Opioid Trafficking, www.rand.org/pubs/external_publications/EP68838.html.

²⁵ UNODC (2019), *China: Announcement to place all fentanyl-related substances under national control* www.unodc.org/LSS/announcement/Details/f2adea68-fbed-4292-a4cc-63771c943318

²⁶ China National Narcotics Control Commission (2017), *Annual Report on Drug Control in China*.

19. Starting in 2019, organised criminal groups adjusted their operations, and began to import precursor chemicals for fentanyl instead, with production moving to Mexico under the control of criminal syndicates who controlled drug trafficking routes into the United States and Canada. Regional dynamics have also shifted somewhat. There is a potential risk that criminal groups are involved in diversion of chemicals from countries with large and thriving pharmaceutical sectors. India is one such country with a major pharmaceutical producing market and is seeing legal tramadol exports diverted for illicit purposes once they arrive in the Middle East, Africa and Europe²⁷.

Box 2.2. Role of Mexican Cartels in the “new” Fentanyl Supply chains

Mexican cartels play major roles in the fentanyl market. There are no records that suggest that they are importing fentanyl or precursor chemicals, but they are a significant source of fentanyl, with production substantially increasing. In 2020, Mexican authorities seized five times more fentanyl than the year before, and dismantled 175 clandestine laboratories, more than double compared to the previous year. One lab alone had an unprecedented capacity to process 5 000 kg of precursor materials, believed to be imported from countries in South and East Asia.

Since Mexican cartels are shifting from heroin production to produce the cheaper fentanyl, they will likely use existing transportation lines for cocaine to ship fentanyl into the United States and then into Canada.

Source: Canada

20. The changing supply chain of precursors for opioids represents a complex challenge for law enforcement in general and financial investigators specifically, as it requires greater scrutiny of businesses and their financial transactions. Legal persons registered in third-party jurisdictions (i.e., not the source or ultimate destination country) may be importing and exporting chemical precursors, some of which may be for legitimate use (for example for legal pharmaceutical production, cleaning products, or paint and industrial ingredients for manufacturing) and others for diversion into drug production. Some chemicals are difficult to detect,²⁸ and complicit importing or exporting companies can disguise these transactions. The supply chains supporting the illicit trade correlate strongly to areas with well-developed chemical manufacturing sectors geared toward exports around the world.

²⁷ UNODC (2021), World Drug Report Booklet 3, pg. 100-101. In September 2018, the Indian authorities reported a relatively large seizure of fentanyl destined for organised crime groups in Mexico that involved the arrest of a Mexican citizen. According to the UNODC, “there is a potential risk that criminal groups operating in countries with a large and thriving pharmaceutical sector may become more involved in the clandestine manufacture of fentanyls.”

²⁸ Most precursor chemicals may also be modified at a molecular level and thus not subject to international controls, exploiting loopholes in legislation.

21. In some jurisdictions, criminal groups procure or adapt industrial and pharmaceutical manufacturing equipment to produce synthetic opioids and press fake pills or turn synthetic opioids into powder or liquid substances (occasionally also for smuggling via special shapes and moulds). To achieve this, they procure industrial equipment using individuals or legal entities as “straw buyers” (individuals acting on behalf of others) or creating front/shell, and shelf companies to conduct this trade.

Box 2.3. Procurement of Pill Presses and Industrial Pressure Vessels/Vats

The National Police of the Netherlands noted that drug trafficking organisations involved in the processing and transformation of precursors into final narcotics typically procure specialised equipment for this process. These include:

- Industrial pressure vessels for large quantities of liquids and chemicals, either purchased within the country or region from a limited number of suppliers or from dairy farmers. **Note: The pressure vessels are custom-made from top to bottom. They buy the materials and then build the vessel. Another option is that suitable vessels are newly purchased from companies or second hand (for example from dairy farmers) and then modified for the task at hand**
- Large orders of large glassware for laboratories purchased online (e.g., e-commerce platforms) shipped to individuals, also shell companies are being used
- Pill presses and laboratory equipment imported into the country from special manufacturers known to produce (quality) presses.

Authorities noted that customs are responsible for raising red flags upon importations of these goods, and that authorities even worked on a special awareness raising campaign with dairy farmers to contact them if groups solicited them for specialised equipment. There have been several campaigns on raising awareness on drug production at farms. Farmers were made aware of suspicious activities as renting stables or buying of equipment with cash money. Other campaigns on creating awareness were focussed on industries as metal and glass works. Companies were contacted and made aware of their potential involvement in the drug production.

Source: Netherlands

Markets and Cartels

22. In North America, Mexico-based organised criminal groups have come to dominate the provision of fentanyl to the US drug market. These include well-established groups like the Sinaloa Cartel and the Jalisco New Generation Cartel (CJNG). In a number of cases, regional and local criminal groups within the United States have mixed fentanyl with heroin in order to maximize profitability.²⁹ A significant percentage of seized drugs in the United States is fentanyl combined with heroin, but authorities have also seized fentanyl mixed with cocaine and methamphetamine.³⁰
23. United States law enforcement has documented the numerous ways in which Mexican criminal groups try to increase their capacity to supply this market:
 - Smuggling chemicals in legitimate commercial shipments;
 - Mislabeling shipments to avoid law enforcement scrutiny;
 - Diversion of supplies from licit purchases for chemical or pharmaceutical sectors; and
 - Open purchases of supplies on the web.³¹
24. Fentanyl runs in the same supply chains of other drugs, including other opioids and synthetic drugs, (particularly methamphetamines). Organised criminal groups are responsible for the drug supplies in various regions. However, supply chain patterns can shift rapidly. Regionally divided organised crime groups work are also eager to expand their market share in new markets.
25. As with all synthetic drugs, the trade in precursor chemicals is a particular aspect of the production and trade in synthetic opioids and has important implications for understanding the finance that supports this trade.³² Because some types of opioids have a legitimate pharmaceutical role, and because certain precursor chemicals are inherently dual-use and would be difficult for national authorities to impose controls on, these chemicals can be traded openly, including on legitimate websites. As documented by UNODC, very few countries maintain specific regulations on online sales of even nationally controlled precursors.³³
26. Middlemen in the chemical sector can be important nodes in the diversion of chemicals from licit suppliers to illicit manufacturers of these substances. This aspect of the supply chain can make it difficult for financial institutions or even law enforcement to identify suspicious or potentially criminal activity. Chemical Diverters, also known as Chemical “Middlers”, can be involved by creating front

²⁹ United States DEA (2020), *Annual Drug Threat Assessment*, pg. 7. As reported by the US Drug Enforcement Administration (DEA), Mexican law enforcement is encountering a rise in illegal pill press and tableting operations. DEA Annual Drug Threat Assessment (2020), pg. 7.

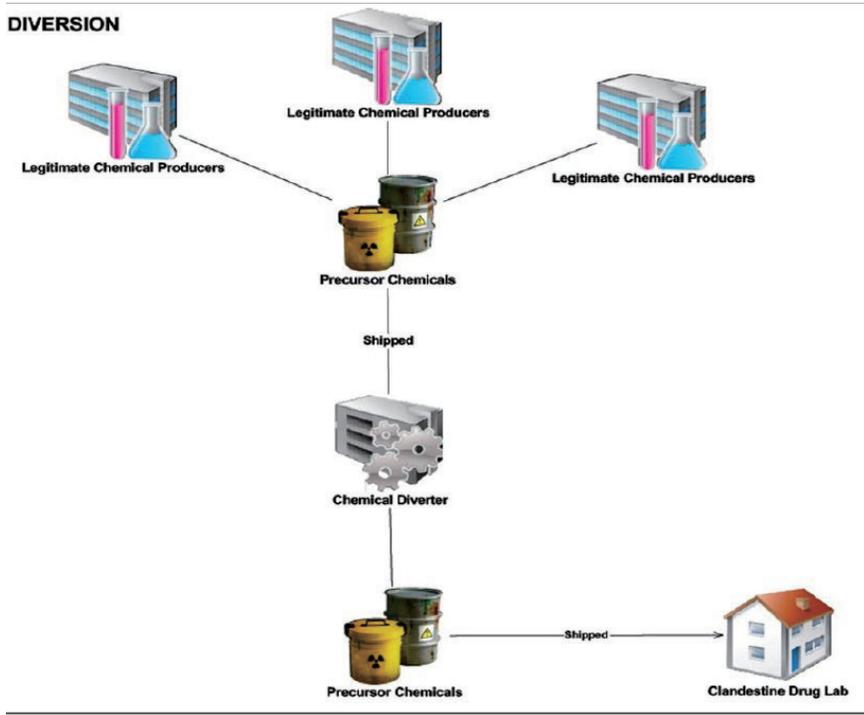
³⁰ Ibid., Figure 4, pg. 10.

³¹ United States. DEA (2020), *Annual Drug Threat Assessment* pg. 15.

³² United States (20220) National Money Laundering Risk Assessment, pg. 14

³³ UNODC (2021) *World Drug Report Booklet 2*, pg. 70. - Notably, the United States and China do have regulations. China since September 2010 has required entities selling precursors to be registered with its national authorities. In the United States, website providers who arrange transactions for listed chemicals from foreign countries are considered “brokers” and are subject to control.

companies and act as an intermediary between legitimate chemical producers and clandestine drug labs. Middlers sometimes set up a physical store fronts or create an online presence to appear legitimate. Financial entities should integrate suspicious transactions linked to the buying and selling of chemicals into their risk identification mechanisms as this financial activity could be indicative of such a chemical diversion scheme.



ML and Synthetic Opioids

Financial Flows and Stages of Laundering

27. Most of the proceeds generated from synthetic opioid trafficking accumulate in the country of consumption, with organised criminal groups profiting from the local sale of opioids such as fentanyl or tramadol. However, as the funds move towards these criminal groups who manage the larger scale shipments, the proceeds and the goods can de-couple and the proceeds may move through more complex money laundering schemes.
28. For organised criminal groups, the main expenses involve the smuggling and acquisition of opioids or precursors, as well as the synthesis of the synthetic opioids themselves (if clandestine manufacture is involved), including the acquisition of manufacturing tools and equipment, and specialised labour capable of carrying out the synthesis (e.g., chemists). This process can involve intermediate countries and companies through which precursor products are smuggled (see next section). Criminal organisations may also rely on payment of bribes to ensure the arrival of precursors and the opioids themselves.
29. In terms of the money laundering stages, placement often takes place within the consumer country. Layering and integration likely occurs through either bulk cash smuggling, front companies, money value transfer services (including hawala³⁴) or trade-based money laundering, or through correspondent banking arrangements (including for trade-related financial transfers). The diverse range of layering and subsequent integration methods indicates there is no single “business model” but that the criminal organisations use a wide range of money-laundering schemes.

Box 3.1. Case Study involving Large Scale Cash Placement and Mirror Transfers

United States authorities arrested Xiangbin Gan, a Chinese national, resident in Mexico, in November 2018 at Los Angeles International Airport during a layover on a flight from Hong Kong to Mexico. Gan had schemed to have approximately USD 534 206 in narcotics proceeds picked up in Chicago and transferred to various bank accounts in China, with the money ultimately intended for drug traffickers in Mexico. Gan facilitated the money transfers while residing in Guadalajara, Mexico. Unbeknownst to Gan, a purported money courier who picked up the drug proceeds in Chicago was an undercover law enforcement agent

³⁴ In some mirror transfer schemes, the OCG who commits the predicate offense collects the cash proceeds. It then contracts with a PMLN to launder the cash proceeds. It sells its bulk cash (dollars for example) to this PMLN. The PMLN then arranges for an equivalent amount of value to be transferred from a separate source (often in another country) to someone authorized to take the funds on behalf of the original OCG. This process can allow proceeds to enter the financial system in a way that may not be suspicious.

“The defendant was part of a recent phenomenon in which a relatively small network of Chinese money brokers based in Mexico have come to dominate international money laundering markets”. The United States government’s sentencing memorandum noted that “like defendant, many of these brokers are also engaged in legitimate business and use that business as cover for and to further money laundering activity. It does not matter that defendant never personally distributed narcotics – drug distribution and money laundering are two-sides of the same malignant coin.”

A federal judge in Chicago sentenced the Gan to 14 years in prison for laundering illegal narcotics proceeds on behalf of drug traffickers in Mexico.

Source: United States³⁵

Use of professional money laundering networks

30. Organised crime groups use professional money laundering networks to launder the proceeds of their illegal activities³⁶. As the main purpose of professional money launderers is to facilitate the transfer of value for their customers, they are rarely involved in the proceeds-generating illegal activities. Instead, they provide expertise to disguise the nature, source, location, ownership, control, origin and/or destination of funds to avoid detection. Professional money launderers generally do not differentiate between drug dealers, fraudsters, human traffickers or any other criminal with a need to move or conceal ill-gotten gains. They engage in sophisticated, large-scale laundering on behalf of drug cartels, motorcycle gangs and traditional organised crime organisations.
31. While professional money laundering networks may include accountants, bankers or lawyers, current financial intelligence suggests that they often are owners of, or associated with, trading companies or money-services businesses, as well as a variety of legitimate commercial enterprises they use as fronts. Professional money launderers use their occupation and knowledge, as well as the infrastructure associated with their line of work and their networks, to facilitate money laundering, providing a veneer of legitimacy to criminals and criminal organisations.

³⁵ United States Department of justice (2021) *Chinese National Sentenced to 14 Years in Prison for Laundering Drug Proceeds on Behalf of Traffickers in Mexico*. www.justice.gov/usao-ndil/pr/chinese-national-sentenced-14-years-prison-laundering-drug-proceeds-behalf-traffickers

³⁶ Professional launderers conduct all forms of money laundering that are undertaken by a third party (including facilitating bulk cash smuggling, trade-based money laundering, mirror transfers and hawala).

Identifying common ML typologies associated with synthetic opioid trafficking

Money laundering activity occurring within the synthetic opioids supply chain

32. Like other forms of drug-trafficking, the illicit sale of synthetic opioids is a cash-intensive crime. Criminal groups move the proceeds and instrumentalities³⁷ of crime using similar tools and techniques as other forms of narcotics trafficking. As fentanyl is relatively inexpensive to produce, easy to transport, and highly potent, it provides them attractive high-profit margins and lower input costs.
33. Drugs such as tramadol are readily available in the licit pharmaceutical industry, making them difficult to trace when distributed in the illicit supply chain and commingled with legitimate business operations. Criminal networks have been expanding their operations to new geographies, contributing to regional and national illicit drug problems, undermining public health capacity, and the integrity of the financial system globally.

Box 3.2. Tramadol Trafficking: Common Investigation Challenges

Burkina Faso is a transit and source destination of tramadol, and it is seeing an upward trend in domestic consumption of this opioid. Recently, national authorities have made several large-scale seizures of tramadol at the borders and within their territory, including several multi-tonne shipments of tramadol, such as a 40-tonne seizure in February 2020. Authorities note that these shipments are often brokered by suppliers residing in neighbouring countries, including Ghana and Ivory Coast. However, no cases involving international co-operation have taken place to-date.

Burkina Faso authorities note that no money laundering investigations have yet taken place due to a lack of resources dedicated to conducting parallel financial investigations. Nevertheless, Burkina Faso authorities include a multi-agency response to narcotics trafficking and have conducted several investigations, prosecutions and convictions related to opioids trafficking. Transactions generally take place in cash, and cash which is laundered directly into the economy by traffickers often using other family members as nominee account holders; front, shell, and shelf companies may also be used, particularly for international imports of tramadol. Asset seizures have taken place (e.g., cars and physical possessions by criminals) but these are also complicated by the informal beneficial ownership of accounts and (possibly also) companies.

Source: Burkina Faso

³⁷ Instrumentalities refer to any property used or intended to be used, in any matter, wholly or in part, to commit a criminal offense.

34. A review of the law enforcement investigations conducted by relevant authorities in relation to synthetic opioids indicates that criminal groups trafficking in fentanyl (and precursors) and tramadol, move the illicit proceeds through bulk cash smuggling, trade-based money laundering (TBML), funnel accounts, wire transfers (especially from and between front and shell companies), cash couriers, and money brokers. They also use dark web vendor sites to market their products, and take payment through virtual assets, including anonymity-enhanced cryptocurrencies. However, it is important to note that the majority of proceeds generated from dark web market sales are usually in bitcoins, while only a minority of dark web marketplaces accept Anonymity Enhanced Cryptocurrencies.³⁸ Communications for co-ordinating activities and payments often involve encrypted communication channels, including mobile applications.
35. Sophisticated multinational criminal networks who wish to repatriate illicit proceeds have relied on Asian money laundering organisations,³⁹ a type of professional money laundering network to co-ordinate transfers of value, often using methods that do not require money to move across international borders (e.g. “mirror transfers” hawala, and other unauthorised money value transfer services often facilitated through encrypted communications to co-ordinate with contacts across multiple jurisdictions). The Asian money laundering organisations work in tandem with underground bankers in East Asia to facilitate the circumvention of currency controls in certain countries while laundering domestic criminal proceeds⁴⁰. Certain currency controls create a demand for money value transfer services to transfer funds. Asian money laundering organisations exploit this demand to launder money on behalf of their criminal clients, while also facilitating capital flight and receiving fees by clients on both ends of the transaction (helping to explain why these money launderers can offer their services at such low rates).
36. A growing amount of the payments for opioids may also take place on dark web marketplaces, which largely require the use of virtual assets (particularly cryptocurrency). According to many jurisdictions, some laundering does take place using virtual assets, though those assets are often converted into fiat currency depending on the preference of the involved money launderers.
37. Many jurisdictions also reported the use of digital payment platforms by those involved in the trafficking of illicit synthetic opioids. Some of these platforms are sophisticated large companies that service e-commerce websites globally.

³⁸ UNODC (2022), *World Drug Report*, -pg. 56, “The growth in popularity of cryptocurrencies has increased the appeal of online drug transactions. While bitcoin continues to be the cryptocurrency of choice for most people who use drugs looking to make purchases on the dark web, others are gaining a foothold, for example, Monero”.

³⁹ This includes Mexican OCGs the Sinaloa Cartel and CJNG. DEA Drug Threat Assessment, [www.dea.gov/sites/default/files/2021-02/DIR-008-21%202020%20National%20Drug%20Threat%20Assessment WEB.pdf](http://www.dea.gov/sites/default/files/2021-02/DIR-008-21%202020%20National%20Drug%20Threat%20Assessment%20WEB.pdf), page. 70.

⁴⁰ As reported in the 2022 US National Money Laundering Risk Assessment, what makes these groups unique is their ability to offer services at lower fees than traditional money brokers, to exploit certain countries’ currency controls, and to use communication technology effectively. See also, United Kingdom, National Crime Agency, *Chinese Underground Banking and ‘Daigou’* (October 2019), www.nationalcrimeagency.gov.uk/who-we-are/publications/445-chinese-underground-banking/file.

Others are country- or regionally dominant payment platforms. In each instance, the ubiquity of the payment platform helps obfuscate the role of organised criminal groups in the illicit procurement of precursors, or the sale of the finished drugs. The following case study highlights an individual suspected to have laundered their drug proceeds through virtual currency which provided a way to safeguard an effective means of washing the funds.

Box 3.3. Converting Proceeds of Fentanyl Production into Virtual Assets

Suspiciousness was raised when the individual made a high value transfer to his virtual currency wallet held at a Virtual Currency Exchange. When the Exchange inquired into the source of funds, the individual responded candidly that it was from producing fentanyl.

The individual chose to purchase a type of virtual currency that provides privacy and anonymity, making it harder for authorities to track.

The individual also ordered money to the benefit of Vietnam based import/export companies for the purchase of equipment, which could be used in the production of fentanyl.



Source: Canada

38. The cases below indicate there are also several schemes involving the transfer of funds for the purchase of synthetic opioids. These indicate a scheme involving working capital (i.e., the money is used to purchase wholesale the synthetic opioids for later retail sale, or the production equipment and precursor chemicals) at a medium to large scale. Often these transfers involve an international component and use wire transfers or money value transfer services (authorised and un-authorised), connecting two or more separate parties.

Examples of schemes involving proceeds and instrumentalities of crime

39. Below are some examples of schemes that criminal groups use to move instrumentalities of crime for the procurement of fentanyl and other synthetic opioids.

Box 3.4. Schemes involving movement of proceeds of crime

Case 1: Procurement of Fentanyl and other synthetic opioids via payment using Money Service Businesses¹

- Client purchases wire transfers or money orders for amounts below the CAD 10 000 reporting threshold at multiple money services businesses over a short time, normally with cash or prepaid credit cards. Typically, the wire transfers and money orders are sent by numerous, seemingly unconnected individuals in Canada to the identical recipients in Asia, Ukraine, and India.
- Client pays for wire transfers in Canadian funds, which are then received in even dollar amounts.
- Client sometimes uses a post office box as a mailing address.
- Client receives multiple direct deposits from global payment processing and/or virtual currency exchange platforms, typically in amounts below the reporting threshold.
- Client requests wire transfers to companies advertising the sale of fentanyl and/or its known chemical precursors: NPP (1-Phenethyl-4-piperidone); ANPP (4-azido-2-nitrophenyl Phosphate) and Norfentanyl (N-phenyl-N-piperidin-4-ylpropanamide).

¹ FINTRAC (2018), *Operational Alert: Laundering of the Proceeds of Fentanyl Trafficking* www.fintrac-canafe.gc.ca/intel/operation/oai-fentanyl-eng

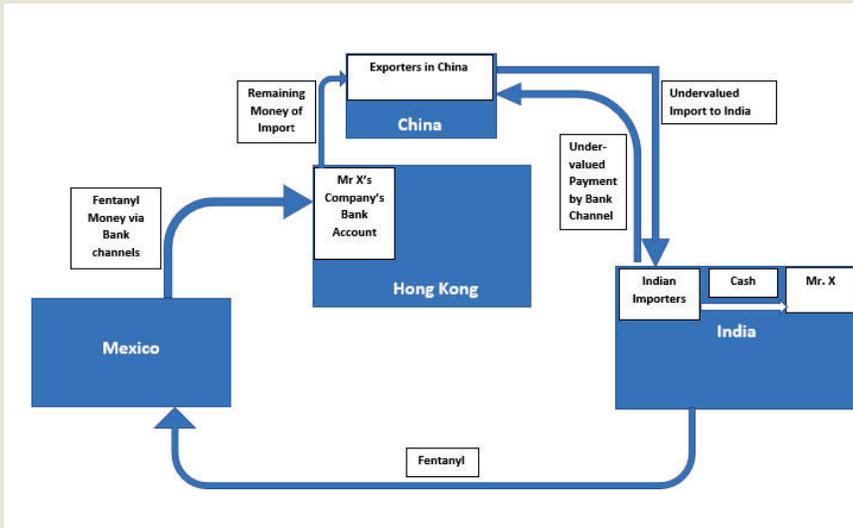
Source: Canada

Case 2: Use of online pharmaceutical companies, money transfers using TBML in India

India's Directorate of Revenue Intelligence (DRI) received specific intelligence from a reliable source, that person "X" is engaged in illicit manufacturing of fentanyl HCL, a narcotic drug, for further supply to foreign nationals. Fentanyl is manufactured in a laboratory which is being run illegally by one person "Y" in Indore. One foreign national visits Indore and "X" and "Y" will hold a meeting with this foreign accomplice (a national of Mexico) in connection of supply/smuggling of a large consignment of fentanyl HCL.

The manufactured fentanyl is then transported to Mexico for sale in the United States. Money used to come to Mr. X's Company's Bank Account based in Hong Kong, China from Mexico via Banking channels. To get that money into India, Mr. X contacted various importers who used to import goods from another Asian country, their imported goods were often undervalued to Indian Customs to evade the Customs Duty. However, to

avoid detection, these importers could only transfer this undervalued value to this other Asian country through banking channels. Mr. X would transfer the differential amount of those goods (Differential amount= Actual Value of the goods – undervalued value of the goods declared to customs) to the exporter from his Hong Kong, China based bank account. These Indian importers would pay him that amount in cash in India.



Authorities seized the contraband manufacturing equipment and instrumentalities, as well as USD 8 600 being sale proceeds and a vehicle. The prosecution into the predicate offence is ongoing.

Source: India

Investigations and convictions of money laundering offences linked to illicit opioid trafficking

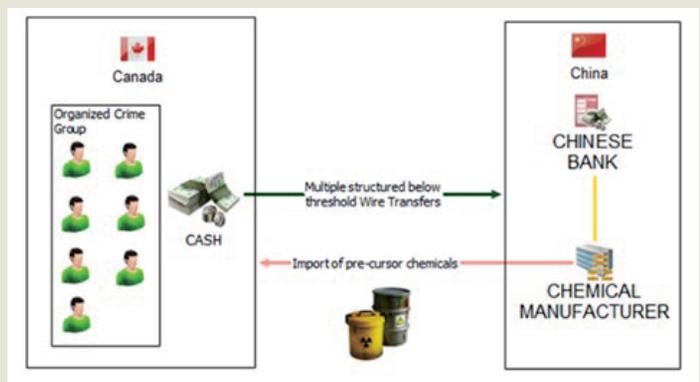
40. Many jurisdictions do not use specific indicators for detecting, investigating, and prosecuting money laundering linked to different types of drug trafficking (for example, the indicators for money laundering for cocaine may be the same as those used for fentanyl). Most jurisdictions use their current counter-narcotics money laundering framework and apply this to substances such as fentanyl or tramadol.
41. Tracking the supply chain that contributes to the production and distribution of these drugs, and the related finance that supports that supply chain and the proceeds generated from the sale of the final product is a key investigative goal. This includes the upstream dynamic – the funds that support the acquisition of the raw materials and manufacturing equipment, namely the precursor chemicals, pills presses, and laboratory equipment that is necessary to produce synthetic drugs.

- 42. In most cases, organised criminal groups acquire raw materials and production equipment from legitimate commercial sources. Some of these companies knowingly support the criminal syndicate’s activity; others are unaware that criminal groups are diverting their products. Consequently, countries cited the importance of customs and export control authorities in generating and following lead information. Furthermore, they highlighted the importance of financial intelligence derived from suspicious activity reports/suspicious transaction reports (STRs) related to this trade, particularly when one of the counterparties is a suspected front or shell company.

Box 3.5. Identification of pre-cursor chemical purchases through suspicious transactions

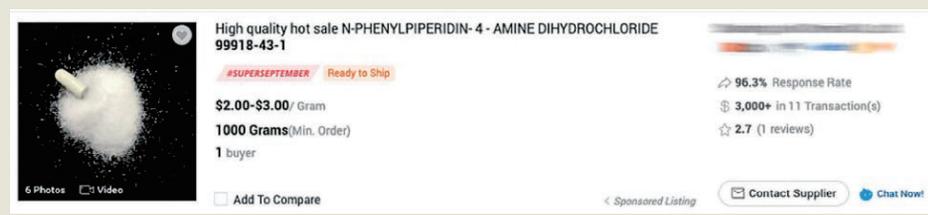
The following typology highlights how suspicious payment methods help a bank identify illicit chemical purchases used to produce fentanyl

This organised crime group used multiple related individuals to make below-threshold cash transactions for the purchase of dozens of wires ordered to the same Asia-based chemical manufacturer. The bank picked up on this unusual payment pattern and submitted a detailed suspicious transaction report on all the individuals involved. The individuals in question were under investigation for fentanyl production, which required a large amount of pre-cursor chemicals.



Source: Canada

Example of advertisement on e-commerce platform – 4-AP, as Fentanyl Precursor



Source: UNODC (2021), *World Drug Report*, Booklet 2, page. 71.

43. Beyond the production supply chain, investigations continue to focus on the downstream dynamic as well, namely the day-to-day operations of organised criminal groups in their jurisdictions, including the laundering of proceeds and the nature of the illicit drug market. Because most criminal syndicates traffic in various types of narcotics and other illicit products, only a handful of jurisdictions will have dedicated bodies focused solely on illicit synthetic opioids. Rather, their investigations track the street-level sales of multiple types of drugs, with interagency task forces dedicated to priority drug types and more sophisticated criminal actors.
44. Many of these interagency task forces incorporate a follow-the-money approach as a complement to investigations of possession and distribution (see example below). This approach is beneficial to authorities as it brings the relevant experience and training to conduct large or complex investigations under one operational mechanism, which can help constituent agencies that do not have the ability to conduct parallel financial investigations or money laundering investigations on their own, or who lack access to specific data sets. The task forces also signal that such investigations are priorities for law enforcement at multiple levels and may provide new authorities or funding, along with the technical and legal requirements to conduct financial investigations.

Box 3.6. Multi-Agency Counter Drug Task Force Models

The Organized Crime Drug Enforcement Task Forces (OCDETF) is an independent component of the US Department of Justice. Established in 1982, OCDETF is the centrepiece of the Attorney General's strategy to combat transnational-organized-crime and to reduce the availability of illicit narcotics in the nation by using a prosecutor-led, multi-agency approach to enforcement. OCDETF leverages the resources and expertise of its partners in concentrated, co-ordinated, long-term enterprise investigations of transnational organized crime, money laundering, and major drug trafficking networks.

Led by an Executive Office and accountable for over 500 federal prosecutors, 1 200 federal agents, and some 5 000 state/local police, OCDETF implements a nationwide strategy combining priority targeting, co-ordination, intelligence sharing, and directed resourcing to have the greatest impact disrupting and dismantling command and control elements of criminal organizations.

The OCDETF Strike Forces Initiative establishes permanent, multi-agency, prosecutor-led teams that conduct intelligence-driven, multi-jurisdictional operations against priority targets and their affiliate illicit financial networks. The goal of this Initiative is to bring together federal, state, and local law enforcement in a co-located setting that fosters communication and collaboration. The OCDETF Strike Forces capitalize on the synergy created through the long-term relationships that are forged by agents, analysts, and prosecutors who work together over time, and are a proven model in combating organised crime.

There are significant advantages to co-locating OCDEF resources in key cities throughout the country, including more efficient use of limited agency and program resources, fostering better intelligence sharing among the agencies, and maximizing combined efforts to enhance regional and national impacts

Source: United States Department of Justice (2022), *Organized Crime Drug Enforcement Task Forces* www.justice.gov/ocdef/about-ocdef.

45. The case study below highlights an example of the follow-the-money approach as a complement to the arrest and uncovering of those involved in the trafficking of the physical drugs. Investigators were able to leverage relevant financial data to uncover the involvement of a significant number of corporate entities. This investigation led to money laundering charges, and implicated officials involved in corruption and bribery.

Box 3.7. Tramadol Drug Trafficking and ML

A Nigerian Police Force intelligence response team referred a case involving tramadol trafficking to the National Drug Law Enforcement Agency. Officials seized 200 cartons of tramadol pills for illegal sale, which led to the tracing of a high-level trafficker. After consultation with the Nigerian Financial Intelligence Unit, analysis revealed that this trafficker was linked to 103 separate bank accounts, composed of:

- 10 personal accounts
- 55 corporate accounts (of which he was principal shareholder)
- 48 corporate accounts where other individuals were equal shareholders

Further investigations led to the discovery that the suspect had imported several shipping containers full of tramadol for illegal sale.

These accounts were held in a number of different currencies, including US Dollar and British Pounds. This scheme involved the use of bank accounts and loans to mask the proceeds of crime, including laundering through real estate, namely the purchases of 72 different properties in Nigeria.

The case is currently under prosecution. The assets and bank accounts were all seized and interim forfeiture of properties initiated. The case also led to the discovery of high-level corruption involving police officials who have also been arrested and charged with money laundering and drug trafficking.

Source: Nigeria

46. A handful of jurisdictions have actively pursued complex cross-border investigations of money laundering schemes directed by high-ranking members of organised criminal groups. There are noteworthy examples of the use of mutual legal assistance and extradition to disrupt these networks (see for example Box 2.1. on Cross-Border Information Sharing on Fentanyl Trafficking).

Individuals/businesses involved in synthetic opioid trafficking and their financial profiles

47. As highlighted above, people and organisations are the critical resources in the illicit synthetic opioid business model (some of the general conclusions can be extended to other types of drug trafficking). Individuals involved in illegal trafficking at different stages of the various business models may be classified into the following categories in accordance with how they fulfil the finance function, which may occur at different levels of sophistication.
 - **Small-scale sellers** (for instance, batches of up to 5 grams). They spend their proceeds on personal consumption, rent, and other services. They may carry out foreign exchange transactions and money transfers through various money transfer systems. Some of them have a legal source of revenue in addition to proceeds earned from drug trafficking.
 - **Couriers and small drug dealers** who deliver small drug batches (e.g., fentanyl batches of up to 20 grams) or purchase them from other salesmen. This category presumably includes mostly drug consumers who, depending on the situation, either act as intermediaries or independently buy small drug batches for resale. They earn their money from the difference between the purchase and resale prices of drugs. These people often do not have another source of revenue and spend their proceeds on buying a new batch of drugs, paying for transportation services and personal consumption.
 - **Middle-sized sellers** (e.g., batches of up to 1 kilogram of fentanyl). This includes individuals who sell drugs obtained from criminal organisations, predominantly as their sole source of income, however, they may engage in legal business activities. Middle size sellers are likely to engage in the collection of bulk cash at a local or regional level. In some instances, proceeds from drug trade are spent on personal consumption or may be partially spent on their own legal business activities, purchases of currency, real estate and provide for luxurious lifestyle. Bulk cash collectors may gather proceeds from multiple small to middle-sized distributors and consolidate for bulk cash smuggling.

Co-ordination and Co-operation Challenges in Conducting Money Laundering Investigations:

48. There are many longstanding challenges that jurisdictions face across the board when it comes to investigating money laundering tied to drug trafficking, as well as obstacles that may be unique to the trafficking of illicit synthetic opioids.
49. Three challenges are most often referred to by law enforcement agencies:
 - the lack of the proactive use of financial intelligence in many investigations of drug trafficking;

- gaps in tracking the financing that supports the illicit synthetic opioid supply chain and;
 - the inability to trace and seize assets in a timely manner.
50. Operational authorities will need to improve domestic and international co-operation to address these deficiencies comprehensively. However, many jurisdictions see obstacles to doing this, which can occur within national frameworks, or between jurisdictions.

Domestic Co-operation, Co-ordination, and Information-Sharing

51. There are long-standing interagency methods for investigating drug trafficking which could potentially apply to synthetic opioids if jurisdictions begin to detect significant penetration of these drugs into their domestic drug markets. Many of these methods include the multi-agency investigative approach, with a mix of different types of law enforcement agencies at the national and local levels.
52. Due to the similarities noted with the other types of narcotics trade, many of the same investigative and prosecutorial challenges remain for identifying and charging money laundering for trafficking of illicit synthetic opioids. These challenges include:
- Limitations of money laundering expertise among relevant narcotics investigators, which means there is not a proactive use of financial information and related information such as surveillance, and open-source intelligence to generate new investigations;
 - Limitations of time and resource among relevant agencies, meaning that complex investigations of money laundering are not appropriately prioritised;
 - General complexity of large-scale transnational ML investigations, particularly as some illicit synthetic opioid supply chain nodes may exist in multiple jurisdictions, and can include firms that have not previously been the subject of intense law enforcement scrutiny with respect to AML/CFT measures;
 - Issues with access to accurate and up-to-date beneficial ownership information, which is a long-standing deficiency across much of the FATF Global Network and can slow investigations into both the supply chain and the laundering of proceeds.

International Co-operation

53. By the very nature of the materials needed to produce synthetic opioids, investigators will note that the relevant activity crosses multiple jurisdictions. The need to respond to this dynamic is evidenced by multilateral efforts dedicated to control of the supply of these drugs as well as the precursors.⁴¹

⁴¹ Though not required by the FATF Standards, countries could consider evaluating their participation in such mechanisms, as they would provide a foundation for further co-operation on counter illicit finance. See, *inter alia*,

54. As with other types of predicate offences, the transnational nature of opioids trafficking can slow investigations, including ones with a significant financial component. Organised criminal groups also exploit legitimate pharmaceutical and chemical companies across many jurisdictions that are source, transit, and destination countries. There are heavily involved in the illicit trade in pharmaceuticals and chemicals use a variety of methods to obfuscate their role, including the systematic use of front companies, freight forwarders, e-commerce, and others.
55. Criminal syndicates use front companies to import pharmaceutical products and precursor chemicals, as well as to receive shipments of production equipment and related payments. In the case of value transfers across borders, they use legal persons and arrangements to carry out movement of proceeds – using trade-based money laundering schemes, and other value-based transfers and exchanges.
56. As with all forms of narcotics trafficking, criminals employ a range of techniques and mechanisms to obscure their ownership and control of companies involved in the acquisition of assets purchased with the proceeds of illicit synthetic opioid trafficking (such as real estate), reinforcing the need for co-operation on the sharing of beneficial ownership information.
57. Asian money laundering organisations are professional money laundering networks that operate transnationally, which complicates the law enforcement agencies’ ability to investigate these (often loosely affiliated) connections. International co-ordination and communication on financial linkages between persons is difficult to obtain from relevant counterparts in different jurisdictions. Asian money laundering organisations exploit this vulnerability in AML/CFT frameworks, but also exploit the vulnerability in the trade and trade financing system, permitting the exchange of value across borders.
58. There are time-based constraints associated with international co-operation requests. Jurisdictions can find these obstacles particularly difficult if other jurisdictions severely limit their co-operation with specific types of financial investigations, or when a posture of financial secrecy impedes international co-operation more generally.
59. Among the handful of source countries for these raw materials, a few can be reluctant to respond to requests for information to support investigations, particularly information-sharing around financial transactions and shipments of dual-use chemicals.

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- The International Narcotics Control Board (INCB)’s IONICS platform, “a secure online communication platform dedicated to real-time communication of incidents involving suspicious shipments of, trafficking in, or illicit manufacture or production of new psychoactive substances (NPS), including fentanyl related substances (FRS) and other non-medical synthetic opioids.” www.incb.org/incb/en/project_ion/ionics.html.
 - The UNODC and ICNB’s Pre-export notification system, which “enables easy on-line exchange of information between Member States on shipments (export and import) of the chemicals required for the manufacture of illegal addictive drugs such as heroin, cocaine and amphetamines and to provide the ability to raise alerts to stop suspect shipments before they reach illicit drug manufactures.” www.unodc.org/unodc/en/global-it-products/pen.html.

60. As noted in the section on money laundering typologies, virtual assets can be used as a means of payment, and possibly laundering for narcotics such as synthetic opioids; VAs can involve cross-border exchanges. These could be used as a platform for the transfer of a value naturally and calls for close international co-operation⁴². The nascent nature of the global application of AML/CFT measures to virtual assets and VASPs will pose medium-term challenges in this respect. This is particularly noteworthy given the expanding use of virtual assets.

Box 3.8. Takedown on Hansa and AlphaBay Dark web marketplaces - The Netherlands and the United States

In July 2017, U.S authorities and the Dutch National Police, with the support of Europol, shut down the infrastructure of an underground criminal economy responsible for the trading of over 350 000 illicit commodities including drugs, firearms and cybercrime malware.

Using lead intelligence, Dutch authorities were able to take over the marketplace's infrastructure. Separately, U.S-led operation, called *Bayonet*, was able to identify the creator and administrator of AlphaBay, a Canadian citizen living a luxurious life in Thailand. On 5 July 2017, the main suspect was arrested in Thailand and the site taken down. Millions of dollars' worth of cryptocurrencies were frozen and seized. Servers were also seized in Canada and the Netherlands. The international operation to seize AlphaBay's infrastructure was led by the United States and involved co-operation and efforts by law enforcement authorities in Thailand, the Netherlands, Lithuania, Canada, the United Kingdom, and France, as well as the European law enforcement agency Europol.

According to publicly available information on AlphaBay prior to its takedown, one AlphaBay staff member claimed that it serviced over 200 000 users and 40 000 vendors. Around the time of takedown, there were over 250 000 listings for illegal drugs and toxic chemicals on AlphaBay, and over 100 000 listings for stolen and fraudulent identification documents and access devices, counterfeit goods, malware, and other computer hacking tools, firearms and fraudulent services.

Source: Europol, (2017), *Massive blow to criminal Dark Web activities after globally coordinated operation* www.europol.europa.eu/media-press/newsroom/news/massive-blow-to-criminal-dark-web-activities-after-globally-coordinated-operation.

United States Department of Justice (2017), *AlphaBay, the Largest Online 'Dark Market,' Shut Down* www.justice.gov/opa/pr/alphabay-largest-online-dark-market-shut-down.

⁴² However, as demonstrated in the FATF's second 12-month review, "The types of offences involving virtual assets can include the sale of controlled substances with narcotics-related offences being one of the most prevalent". FATF (2021), *Second 12-Month Review of Revised FATF Standards - Virtual Assets and VASPs*, www.fatf-gafi.org/publications/fatfrecommendations/documents/second-12-month-review-virtual-assets-vasps.html

The role of Financial Services Providers and Designated Non-Financial Businesses and Professions

Financial Institutions and Designated Non-Financial Businesses and Professions

61. Financial institutions and Designated Non-Financial Businesses and Professions (DNFBPs) are an important source of information to Financial Intelligence Units (FIUs) about drug trafficking, largely through the filing of suspicious transaction reports (STRs). Those jurisdictions that did provide statistics on STRs suggested that there were very few that were specific to illicit synthetic opioids.
62. The lack of illicit synthetic opioid-related STRs may not be surprising given that many jurisdictions reported that they did not provide specific risk indicators for synthetic opioids particularly if they were not seeing a significant market share for the drugs.
63. For those countries who are tracking significantly higher share of illicit opioids in their domestic drug markets, some have provided financial institutions and DNFBPs with specific guidance on various types of illicit synthetic opioids, with the intention of assisting with the identification of related financing.
64. As an extension to provide a suitable nexus to law enforcement and governments at all levels, public-private information sharing partnerships (that allow public and private entities to share information relating to the discovery of detection of money laundering, terrorist financing, and broader economic crime) can be a useful means to address certain higher money laundering risks.⁴³ Under the right circumstances, these partnerships can offer useful reporting and dissemination channels for relevant information, risk indicators and feedback. Some examples of public-private partnerships are provided in the case studies below.

Box 4.1. Public Advisories and Public-Private Partnerships on Opioids

Example 1: Public Advisory on Trafficking of illicit fentanyl

The United States FIU, the Financial Crimes Enforcement Network (FinCEN) in 2019 published a public advisory to further inform US financial institutions and DNFBPs as to the financing associated with trafficking of illicit fentanyl into the United States. The advisory addressed the two pathways that illicit fentanyl entered domestic drug markets at the time of publication: direct purchase of fentanyl from Asia by US individuals (which has substantially decreased); and cross-border trafficking by Mexican organised criminal groups, who, as described elsewhere in the report, import the precursor chemicals and manufacture the drugs within Mexico (now the predominant source for the US drug markets).

⁴³ Commission of Inquiry into Money Laundering in British Columbia, Final Report June 2022, page 992.

The advisory identified three categories of typologies involving payments:

- the sale of these drugs by Asian, Mexican, or other foreign suppliers;
- methods used by Mexican and other organized criminal groups to launder the proceeds of fentanyl trafficking;
- financial methodologies associated with the sale and procurement of fentanyl over the Internet by purchasers located in the United States.

Within those categories, it identified the predominant funding mechanisms associated with fentanyl trafficking patterns:

- purchases from a foreign source of supply made using money service businesses, bank transfers, or online payment processors;
- purchases from a foreign source of supply made using virtual assets (such as bitcoin, bitcoin cash, Ethereum, or Monero)
- purchases from a US source of supply using a money service business, online payment processor, virtual assets, or person-to-person sales; and
- other, more general money laundering mechanisms associated with an organized criminal group's procurement and distribution.

The report also provides red flags to assist covered private sector entities with identifying suspicious financial activity potentially related to fentanyl trafficking.

Source: United States Fincen (2019) *Public Advisory on Trafficking of illicit fentanyl*, [FinCEN Advisory FIN-2019-A006, August 21, 2019](#)

Example 2: Project “Guardian” public-private partnership with banks

Project Guardian is a Canadian Public-Private Partnership, led by banks. Its efforts are aimed at combatting money laundering associated with the trafficking of illicit fentanyl.

As a result of Project Guardian and the committed efforts of Canadian businesses, FINTRAC, the Canadian FIU, received thousands of suspicious transaction reports relating to the trafficking of illicit fentanyl which have been converted into hundreds of proactive financial intelligence disclosures for law enforcement. Since the project's inception, FINTRAC has sent over 900 financial intelligence disclosures to law enforcement partners on Project Guardian. These disclosures contained a range of single to multiple STRs tagged as related to fentanyl linked money laundering indicators.

Source: Canada

Digital Payment Platforms and Virtual Asset Services Providers (VASPs)

65. As reported by the FATF's 12-Month Review of the Revised FATF Standards on VAs and VASPs⁴⁴, the application of AML/CFT measures remains uneven across the Global Network. Many jurisdictions have prioritised the provision of guidance to virtual asset service providers to better understand their risk context and vulnerabilities, which can prevent their exploitation by a variety of organised criminal groups, including drug traffickers. Ability to risk assess and flag transactions of virtual assets is an important detection tool for suspicious financial activity. The box below highlights an example from one guidance document.

Box 4.2. VASP Sector-specific Guidance

In response to the inherent vulnerabilities in the virtual assets sector, many jurisdictions have provided guidance specific to the operators in that sector. The Cayman Islands, for example, issued updated guidance in February 2021 pursuant to revisions in their legislation.

The guidance generally notes the types of providers subject to relevant AML/CFT legislation, and the underlying features of the products that may give rise to money laundering risks, including those linked to drug trafficking. The guidance specifically notes a nexus to drug trafficking as a trigger for enhanced due diligence:

As prescribed in Sections 27 and 28 of the AMLRs [the Anti-Money Laundering Regulations, the regulatory framework against financial crimes], where the ML/TF risk is higher based on the existence of any of the circumstances listed in Section 27 of the AMLRs, Enhanced Due Diligence (EDD) measures must be taken. For example, VA transfers from or associated with countries with significant levels of organised crime, corruption, terrorist, or other criminal activity, including source or transit countries for illegal drugs, human trafficking, smuggling, and illegal gambling, or countries subject to sanctions or embargos, or countries with weak governance, Act enforcement and regulatory regimes may present higher risks for ML and TF. Other indicators may be risk factors associated with the VA product, service, transaction, or delivery channel, including whether the activity involves pseudonymous or anonymous transactions, non-face-to-face business relationships or transactions, and/or payments received from unknown or un-associated third parties.

Source: Cayman Islands Monetary Authority (2020), Guidance Notes (Amendments) on the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing in the Cayman Islands https://www.cima.ky/upimages/commonfiles/PARTIXSECTORSPECIFICGUIDANCENOTESONVIRTUALASSETSERVICEPROVIDERS_1614290813.pdf.

⁴⁴ FATF (2020), *12-Month Review of the Revised FATF Standards on VAs and VASPs* www.fatf-gafi.org/publications/fatfrecommendations/documents/12-month-review-virtual-assets-vasps.html

Recommendations and Conclusions

Recommendations

66. Countries should implement the FATF Recommendations in a manner that is consistent with the risk-based approach. The Standards are the most effective framework to address proceeds of crime from opioids (and all other forms of drug trafficking)⁴⁵. In the case of opioids trafficking, effective application of the Standards also means that countries should:
- a) Improve Risk Understanding
 - i. In general, countries should ensure more rigorous risk assessment practices are in place to develop more robust legal and regulatory frameworks to combat illicit opioids.
 - ii. Countries should continue to identify and assess money laundering risks relating to drug trafficking (as a whole), while considering new developments in drug trafficking. This should include any new trends related to financial transactions for purchase of illicit precursor chemical acquisition and the sale of synthetic opioids and laundering of proceeds using online platforms (including dark web marketplaces). This includes identification of cases of known opioid precursor sales for risk-based review and analysis. Such identification should also aid in the development of risk indicators.
 - iii. Countries should ensure that competent authorities have co-ordination processes that support information and intelligence sharing on money laundering techniques related to emerging drug trends.
 - b) Drive Financial Investigations Forward
 - iv. Prosecutors and law enforcement authorities, including those with extensive background in financial investigations (which could include FIUs, customs and relevant AML/CFT authorities), should obtain additional training on investigations into the financing of the precursor supply chain, and to ensure that the scope of training and awareness includes companies (e.g., pharmaceutical and chemical importers) deliberately or unwittingly providing raw materials to organised criminal groups.
 - v. National authorities should identify legal and operational obstacles to identifying, freezing, seizing, and confiscating assets linked to or generated from money laundering linked to drug trafficking.
 - vi. Strong compliance policies and procedures must describe the special measures that are required to be taken, including those related to client identification and beneficial ownership information, the frequency of updating that information, and ongoing monitoring of business relationships for transactions and business relationships identified as

⁴⁵ This includes the proper implementation of a financial intelligence led framework, composed of a risk-focused reporting system from relevant reporting entities. A strong AML/CFT framework also ensures a strong “follow-the-money” approach to identify, freeze and seize assets that are proceeds of crime.

high-risk with respect to identification of underground banking structures.

c) Improve International Co-operation

- vii. Countries should, on a bilateral, regional, and multilateral basis, identify and leverage existing mechanisms to expand international co-operation on combating synthetic opioid supply chains. These mechanisms could include dialogues or public-private partnerships (see below) to encourage collaboration between source, transit, and destination countries for synthetic drug precursors, professional money laundering networks, and the finished products.

d) Promote Private Sector Engagement and Public-Private Partnerships

- viii. Countries should ensure that private sector reporting entities are aware of the risks of new technologies (including dark web marketplaces and digital assets) to facilitate money laundering linked to drug trafficking and take appropriate measures to deny criminals access to their business platforms or products.
- ix. Countries should identify or leverage existing mechanisms to share red flags and typologies (including confidential or sensitive information, subject to appropriate legal safeguards) with covered private sector entities that relate to synthetic opioid trafficking within their specific jurisdiction.
- x. Countries should identify appropriate information-sharing mechanisms to help private sector entities better identify and report suspicious activity related to the illicit diversion of chemical precursors to organised criminal groups.

Conclusion

- 67. The increasing numbers of overdose deaths are a grim reminder of the human toll of the tragic, yet avoidable, impact of synthetic opioids trafficking. Despite the pressing need to do more to address the trafficking of opioids, many authorities still struggle to discover and disrupt the money laundering that enriches those involved in this trade. The report's findings suggest that professional money laundering networks are enabling sophisticated criminal gangs to launder the proceeds of the illicit opioid trade on a large scale. In particular, cases reviewed for this report suggest that Asian money laundering organisations are increasingly being used to launder funds through a variety of methods, leveraging financial systems in a number of jurisdictions. Payments for drugs are also taking place including the use of virtual assets and the dark web.
- 68. Opioid trafficking joins a long list of other predicate offences where criminals continue to profit, and authorities struggle to identify and recover ill-gotten gains. To make a difference, anti-money laundering efforts needs to be a central part of the discussion of how to tackle this sophisticated organised crime. Authorities must do more to take the proceeds out of all forms of narcotics trafficking. To address this, countries must first strengthen their capacity to identify potential risks related to opioids. Relevant law enforcement agencies must co-ordinate closely with financial investigators. Public and private sector

exchanges on this topic are also an important means to provide feedback and useful information on latest trends to stakeholders in the financial sector.

Risk Indicators

69. The following risk indicators are relevant to financial aspects of synthetic drug trafficking. It is important to note that risk indicators demonstrate or suggest the likelihood of the occurrence of unusual or suspicious activity. The existence of a single risk indicator in relation to a customer or transaction may not alone warrant suspicion of money laundering linked to the trafficking of illicit synthetic opioids, nor will a single indicator necessarily provide a clear indication of such activity, but it could prompt further monitoring and examination, as appropriate.
70. These risk indicators should not be taken to be applicable to illicit synthetic opioids exclusively. In many instances, as proceeds from drug trafficking move from the street level up the value chain to advanced money laundering techniques, including professional and third-party money laundering networks, money linked to illicit synthetic opioids become co-mingled with the proceeds from other illicit drugs. As a result, the indicators are more cross-cutting for different drug types. Reporting entities should use these indicators in conjunction with a risk-based approach and other money laundering indicators; other private sector firms not covered under the FATF Standards could consider incorporating these indicators depending on their potential for exploitation by OCGs.
71. The first section describes risk indicators that could suggest the procurement that supports the trafficking and dealing in synthetic opioids. The second section includes risk indicators that are indicative of the larger ecosystem of money laundering linked to drug trafficking.
72. National authorities should understand that the nature of money laundering tied to drug trafficking can shift rapidly. Organised criminal groups respond to regulations and additional measures designed to detect, disrupt, and limit their money laundering activities. As a result, guidance, advisories, and risk indicators may need updating on a regular basis to ensure appropriate applicability. Such instances underscore the importance of information-sharing with law enforcement and other operational authorities.

Profiling and Procurement Activities related to Synthetic Opioids trafficking

Customer Indicators

- Customers engage in money transfers that involve pharmaceutical or chemical sales websites, especially if it outside the established customer profile, or the transactions are being conducted by a business with little corporate history;
- Customer has a known criminal history of involvement with clandestine lab operations or other open-source information related to similar criminal activity;
- Linkages through professional association or role in the supply chain to other related chemical drugs (including isotonitazene, benzodiazepine, tramadol, carfentanyl, etonitazene, protonitazene, buprenorphine, and related chemical

precursors including fluoro-boc-4-AP as well as other scientific names and numbers);

- References made to slang names of synthetic drugs (i.e., Roxies, blues, etc.) on unencrypted website traffic communications in addition to digital private sector platforms, which may be seen by operational authorities or financial institutions /DNFBPs based on context of the communications.
- The entity has business activities or a business model that is outside the norm for its sector or conducts no business activities in its home country. It may also be difficult to confirm the exact nature of the business.
- Customer who is a trading entity engaged in the sale and import of pharmaceuticals with few past indicators of related economic activity (corporate entity possibly formed exclusively to engage in this activity).
 - Trading entity may also have no physical (storefront) or online presence, and minimal staff inconsistent with a pharmaceuticals company or vendor, as determined by open-source reporting or information provided to a financial institution or DNFBP.
 - Registration may be in third-country jurisdiction with no apparent linkage to sources and destination country.⁴⁶
 - Involvement of shell companies or companies formed or registered in a high-risk jurisdiction as nodes in supply chains.⁴⁷
 - Company profile or description may refer to other similar goods such as medicine, supplements, vitamins, etc.
- A customer involved in the import/export of chemicals has sudden, unexplained increases or changes in transactions.
- The business activity of a trade entity does not appear to be appropriate for the stated address, e.g., a trade entity appears to use residential properties, without having a commercial or industrial space, with no reasonable explanation
- Background checks or interactions with owners suggest they are acting on someone's behalf as nominees to hide beneficial owners (e.g., lacking academic or technical experience or background)
- Customers who are pharmaceuticals and chemicals companies have notable lack of routine business activities, such as payroll, operating costs, tax remittances.
- A customer who is a vendor has significant transactions involving postal and courier services providers even though the vendor no online presence.

⁴⁶ The determination for this may be based on different types of registries maintained by or in a particular jurisdiction (corporate registry, tax authority databases, public databases of businesses).

⁴⁷ Among other sources, national authorities and private sector entities should consult, inter alia, FATF's public identification of High-risk and other monitored jurisdictions [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))

- A legal person, or persons, that makes enquiries about to import/export companies about receiving and purchasing significant quantities of chemicals as well as medical manufacturing equipment (e.g., pill presses, pressure vats, etc.) lacking a relevant background or business profile consistent with this occupation.
- A trade entity purchases pharmaceutical products, chemicals or products that could be used for production of opioids, allegedly on its own account, but the purchases clearly exceed the economic capabilities of the entity, e.g., the transactions are financed through sudden influxes of cash deposits or third-party transfers to the entity's accounts
- Contracts, invoices, or other trade documents have vague descriptions of the traded chemicals or pharmaceutical products, e.g., the subject of the contract is only described generically or non-specifically

Trade Based Money Laundering

73. Trade-based money laundering schemes are known to operate in support of various predicate offences, including narcotics trafficking. These schemes are typically associated with professional money launderers and require well-developed supply chains and organised actors operating in multiple jurisdictions. It is important to note that the transfer of goods is not an end in and of itself; rather, the transfer of goods is meant to substitute for the transfer of value (often black-market foreign exchange).
74. Below are several examples of risk-indicators developed in this report. Additional information on risk indicators for trade-based money laundering can be found in the 2019 FATF-Egmont Report on Trade Based Money Laundering and Indicators Paper⁴⁸.
 - Corporate structures of trade entities are illogical, involve shell companies and companies in high-risk jurisdictions
 - A trade entity is registered or has offices in a jurisdiction with weak AML/CFT compliance
 - A trade entity displays a notable lack of typical business activities, e.g., it lacks regular payroll transactions in line with the number of stated employees, transactions relating to operating costs, tax remittances.
 - A trade entity has unexplained periods of dormancy.
 - A trade entity engages in transactions and shipping routes or methods that are inconsistent with standard business practices. And shipments of commodities are routed through a number of jurisdictions without economic or commercial justification.
 - Trade activity is inconsistent with the stated line of business of the entities involved, e.g., a car dealer is exporting clothing, or a precious metals dealer is importing seafood.

⁴⁸ See 2020 FATF-Egmont TBML Risk Indicators Paper and Report: www.fatf-gafi.org/publications/methodsandtrends/documents/trade-based-money-laundering-trends-and-developments.html

- A trade entity engages in complex trade deals involving numerous third-party intermediaries in incongruent lines of business.
- Inconsistencies across contracts, invoices, or other trade documents, e.g., contradictions between the name of the exporting entity and the name of the recipient of the payment; differing prices on invoices and underlying contracts; or discrepancies between the quantity, quality, volume, or value of the actual commodities and their descriptions.
- Company involved small- to medium-size import/export company, or is a wholesaler, dealer or broker operating in a sector dealing in high-volume, high-demand commodities with variable price ranges, including agriculture, foodstuffs, textiles, electronics, toys, lumber, and paper, and automotive or heavy equipment.
- The entity transacts with many entities that have activities in the above-noted sectors or have names that suggest activities in a wide range of unrelated sectors, then several or the following transfers and activities occur:
 - receives a sudden inflow of large-value electronic funds transfers.
 - orders electronic funds transfers to the benefit of East Asia-based trading companies or individuals and receives electronic funds transfers from the United States and Latin American countries.
 - orders electronic funds transfers to the benefit of entities or individuals in the United States, Mexico, or Latin American countries, and receives such transfers from the United States.
 - orders or receives electronic funds transfers to/from entities holding a bank account in Eastern Europe or known offshore company formation centres and are registered to addresses in the U.K or other offshore financial centres; and
 - orders or receives payments for goods in round figures or in increments of approximately USD 50 000.
- A trading company based in a high-risk jurisdiction orders electronic funds transfers for the benefit of individuals or entities in known destination countries for opioids or their precursors.
- An entity's US dollar business accounts held in a known destination country exhibit flow-through activity—that is, money is taken or transferred out of the account as quickly as it flows in.
- An entity imports currency (predominantly United States dollars) from Latin American countries.
- An entity makes large business purchases by credit card, funded by overpayments.
- An individual issues cheques, purchases drafts or orders electronic funds transfers through the account of a legal professional for trade-related payments

Money Laundering linked to Drug Trafficking, including potentially Synthetic Opioids Trafficking

75. Often, after the placement stage in the ML process, the underlying predicate offences are indiscernible to reporting entities. Therefore, broader risk indicators come into play to identify ML schemes. Below are several indicators for high-risk activity that the project team found to be associated with drug-related trafficking:

Account and transaction activity suggestive of low-level trafficking

76. While several of the below risk indicators may be unique to recent drug trafficking trends for low-level trafficking, these risk indicators also apply to other forms of money laundering linked to drug trafficking.
- Person receives numerous small-scale electronic funds transfers, or makes a significant number of small payments through payment service providers to the same accounts in high frequencies without a business or employment profile that matches activities
 - VASPs see customers with extensive use of the dark web and virtual currencies for small payments of incremental amounts of drugs for personal use in high frequencies. Boxes 2.6, 2.7, and 2.9 provide a range of examples related to use of virtual assets in drug trafficking. Often, these transactions mirror low level drug trafficking activity and are not traditionally associated with higher quantities/bulk purchases with associated dollar amounts;
 - An account of a trade entity appears to be a "pay-through" or "transit" account with a rapid movement of high-volume transactions and a small end-of-day balance without clear business reasons⁴⁹, including:
 - An account displays frequent deposits in cash which are subsequently transferred to persons or entities in free trade zones or offshore jurisdictions without a business relationship to the account holder.
 - Incoming wire transfers to a trade-related account are split and forwarded to non-related multiple accounts that have little or no connection to commercial activity
 - Payment for imported commodities is made by an entity other than the consignee of the commodities with no clear economic reasons, e.g., by a shell or front company not involved in the trade transaction.
 - Person holds a courier and postal account and purchases numerous postal or courier services on a regular basis out of profile with their purported business activities with no justifiable business rationale.
 - Person exhibits traits suggesting drug trafficking in his or her financial profile⁵⁰:

⁴⁹ This may be indicative of higher-level trafficking depending on the amounts in the underlying transactions.

⁵⁰ See example, FINTRAC Canada (2018), *FINTRAC Operational Alert: Laundering of the Proceeds of Fentanyl Trafficking* www.fintrac-canafe.gc.ca/intel/operation/oai-fentanyl-eng

- Client makes transactions that are inconsistent with his or her employment or customer profile.
- Client conducts untypical cash transactions given his or her profile, such as ATM transactions for larger amounts than would normally be expected.
- Client lives beyond his or her apparent means or incurs significant travel expenses that are inconsistent with his or her profile, such as for car rentals, hotel bills, airline tickets and fuel purchases.
- Client has funds deposited into account in amounts below the reporting threshold from what appear to be multiple third parties located in many parts of a city or region
- Client is the subject of negative media (stories about drugs and weapons offences).
- Client uses multiple financial institutions; their accounts involve significant cash flow-through; and they carry out minimal typical banking retail activity with cash (such as paying household bills).
- Use of legal person and business registration names in a fraudulent manner. For example, a new company will adopt a name similar to an existing large company that legitimately imports precursor chemicals.

Use of underground Banking and Un-authorized Money Value Transfer Services

77. Several cases of synthetic opioid trafficking involved the use of un-authorized money value transfer services (MVTs) for the transfer of proceeds to countries from which synthetic opioids or their precursors originated. These methods are often used among members of the same nationality, who use informal networks to exchange value representing the proceeds of crime across borders. Below are some risk-indicators potentially indicative of this activity. For more information on unregulated MVTs, see the 2016 FATF Report on the Risk-based Approach for MVTs⁵¹:
- Accounts are funded by a high volume of large international wire transfers from general trading companies and/or foreign currency exchanges located in higher risk jurisdictions
 - Remitting companies have addresses that correspond to an address or company service provider in major financial centres.
 - Transactions involve individuals or entities linked to criminal activities (and possibly to synthetic opioids) by media, law enforcement and/or intelligence agencies.
 - Accounts receive a high volume of cheques from money services businesses, along with cash deposits from multiple regions within the country, bank

⁵¹

See 2016 FATF Report (and annex on unregulated MVTs) www.fatf-gafi.org/publications/fatfrecommendations/documents/rba-money-or-value-transfer.html

drafts and/or cheques from multiple financial institutions where the issuer/purchaser cannot be established.

- Funds are depleted through outgoing wire transfers, email money transfers, cheques, bank drafts to self, or related businesses at different financial institutions, and/or to third parties, including law firms, trusts, and real estate companies.

Professional Money Laundering Networks

78. Professional money laundering networks are two or three steps removed from the illicit activity, so they do not have specific knowledge of the origin of the proceeds, which makes it difficult for financial institutions to use traditional red flag indicators. Professional money launderers sell their services to these groups and are involved in the majority of sophisticated money laundering schemes; they are not members, nor are they involved in the predicate offences that generate illicit proceeds. As such, they present unique identification challenges
79. In 2018, the FATF produced a report outlining the specialised services and business models of professional money launderers, highlighting types of dedicated organisations, their mechanisms, and the use and abuse of financial service providers and other professionals. Below are some examples of risk indicators. Additional information on professional money laundering and risk indicators can be found in the 2018 Report⁵².

An accountholder at a financial institution (such as a Money Service Businesses) does some or all of the following⁵³:

- Receives a sudden inflow of large electronic funds transfers and cash deposits; followed by an increased outflow of electronic funds transfers, cheques and bank drafts made out to multiple unrelated third parties for loans or investments, or to the individual conducting the transaction;
- Undertakes numerous currency exchanges involving multiple currencies;
- Carries out business largely with or through high-risk and non-cooperative jurisdictions, and other jurisdictions with a record of deficiencies in providing responses regarding international co-operation requests, and countries with strategic deficiencies in combatting money laundering.
- Receives electronic funds transfers from foreign exchange and trading companies based in the above-noted countries for real estate transactions, loans, or investments.

⁵² See 2018 FATF Report on Professional Money Laundering: www.fatf-gafi.org/publications/methodsandtrends/documents/professional-money-laundering.html

⁵³ FINTRAC (2018), Operational alert: Professional money laundering through trade and money services businesses, www.fintrac-canafe.gc.ca/intel/operation/oai-ml-eng

An accountholder at a financial institution or money services business owner, associate or employee does some or all the following⁵⁴:

- Maintains personal account activity similar to that of a money services business;
- Attempts to avoid reporting obligations when exchanging currency on behalf of another money services business;
- Lists multiple occupations, addresses and/or telephone numbers with financial institutions or online;
- Lists occupation as immigration consultant, student, homemaker or unemployed;
- Lives outside of their reasonable means (i.e., buys real estate beyond what they could reasonably afford on their claimed income);
- Attempts to close an account(s) to avoid due diligence questioning;
- Receives wires and transfers from multiple sources in accounts at numerous banks and credit unions; the individual then depletes these amounts through drafts payable to self or for real estate purchases;
- Places large, structured cash deposits into the same account at multiple locations on the same day; and
- Is a customer at many banks and credit unions and negotiates many self-addressed bank drafts from various financial institutions.

54

Ibid



www.fatf-gafi.org

November 2022

The background of the lower half of the page features a close-up, slightly blurred image of several white, round pills with a vertical score line, scattered over a portion of a US dollar bill. The eyes of the person on the bill are visible at the bottom of the frame.

The FATF report aims to assist law enforcement and other authorities in carrying out financial investigations into the growing illicit trade in fentanyl and other synthetic opioids more effectively. It includes risk indicators that can help identify suspicious activity and makes recommendations on the best approaches to detect and disrupt financial flows relating to this illegal trade. This includes training for law enforcement and prosecutors to better understand the supply chain and the role of the pharmaceutical industry, international cooperation between source, transit and destination countries, and public-private partnerships to share red flag information and help the private sector better identify and report suspicious activity.



Part 6
AML/D Chronicle



111/1/3, 12/24	Attending the “Consultation Meeting over the STRs on Virtual Assets and the Follow-up Coordination Mechanism”
111/1/12~11/7 8 sessions in total	Attending the “Working Group Meeting of the Information Exchange Platform for Preventing Money Laundering, Terrorist Financing, and Proliferation Financing”
111/2/1, 2/2~2/4	Attending the EG’s “FIU Heads Closed-door Online Meeting” and “Working Group Online Meeting”
111/3/22	Sending officers as lecturers for the “GCTF Workshop on Combating Digital Crime”
111/3/22	Attending the “2022 Conference on Virtual Assets Crime Prevention” co-organized by the Anti-Money Laundering Office of the Executive Yuan and the FSC
111/3/23	Attending the APG’s “DAP Group Online Meeting”
111/3/24~12/6 5 sessions in total	Attending the APG’s “Mutual Evaluation Committee Online Meeting”
111/3/31	Attending the “40th Coordination Meeting” between the MOJ and the FSC
111/4/12	Attending the APG’s “Post-Third Round Mutual Evaluation Meeting over Deficiency Correction”
111/4/25~4/29	Attending the “Online Training Program on the FATF’s 40 Recommendations”
111/5/3, 10/18	Attending the “MOJ Consultation Meeting over the Amendment to the Money Laundering Control Act”
111/5/23, 11/24	Attending the “Consultation Meeting over the Regulations Governing the Implementation and Report of Anti-Money Laundering and Combating the Financing of Terrorism for Third-Party Payment Enterprises”
111/5/31	Attending the World Bank’s “Webinar on National Money Laundering/Terrorist Financing Risk Assessment”
111/6/5~6/19	Sending officers to the “Training Program of Cryptocurrency Crime Investigation” organized by the ILEA in Thailand

111/6/22	Attending the APG's "Webinar on DNFBPs AML/CFT Regulation and Supervision"
111/6/23	Attending the World Bank's "Webinar on the Toolkits for the Data Collection of Illegal Financial Flows"
111/7/5	Attending the "1st Meeting of the AML/CFT Working Group of the Taiwan Securities Association"
111/7/11~7/15	Attending the "28th EG Annual Meeting"
111/7/24~28	Attending the "25th APG Annual Meeting" (both physical and online)
111/8/22~8/26	Sending officers to the APG's "Online Training Program for Evaluators"
111/8/24, 12/27	Attending the "35th and 36th Meetings of the AML/CFT Joint Working Group of the Insurance Industry"
111/8/30~8/31	Attending the "International Review Meeting over the 2nd UNCAC National Report"
111/9/15, 11/24	Attending the "APG Governance Committee Online Meeting"
111/9/22	Sending officers to attend the interview by the National Education Radio in its program "Multifaceted Aspects of Money Laundering Control"
111/10/5	Attending the "41st Coordination Meeting" between the MOJ and the FSC
111/10/6	Having a functional discussion with the National Taxation Bureau of the Northern Area, Ministry of Finance
111/10/14	Attending the "25th Roundtable Forum of the ACFE Taiwan Chapter"
111/10/16~10/23	Attending the "1st Plenary and Working Group Meeting of the FATF"

111/10/22	Co-organizing the event “Stronger Together – 2022 International Organization Day”
111/10/23~10/29	Sending officers to the “USSS Cryptocurrency Seminar” in Palau
111/10/26	Having a functional discussion with the Financial Examination Bureau of the FSC
111/10/27	Holding the “Coordination Meeting of the Heads of Community Financial Institutions”
111/11/2	Attending the MOJ’s presentation of its AML promotional video and podcast
111/11/4, 12/30	Attending the MOJ’s “Online Consultation Meeting over the Amendment to the Counter-Terrorism Financing Act”
111/11/8	Chip Poncy, the global head of financial integrity and a board member at K2 Integrity, visiting the AMLD
111/11/9	Organizing the “Webinar on AML/CFT Information Sharing Mechanism between Public and Private Sectors—Australia and Taiwan”
111/11/17~11/18	Sending officers to the “Taiwan-US Anti-smuggling and Intelligence Exchange Conference” organized by the Customs Administration
111/11/22~11/25	Attending the “7th ARIN-AP Annual Meeting”
111/11/28~12/1	Online training in virtual assets tracing software for AMLD officers
111/11/29	Holding the “Achievement Presentation of the Post-secondment Personnel and Experience Sharing of Homecoming Personnel”
111/12/13	Attending the “EG Online Meeting of FIU Heads”
111/12/15	Attending the APG’s “Webinar on Counter-Terrorist Financing – The Perspective of FIUs”

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