



I. Chief Editor's Preface

I took over as the Head of the Anti-Money Laundering Division (AML) of the Investigation Bureau on February 19, 2020 during the outbreak of the COVID-19 epidemic. As of today (date of writing: July 26, 2020), the number of confirmed cases across the world has reached 16,117,992 and the number of deaths has reached 645,699. National governments have poured resources into disease prevention and implemented response measures such as border controls, home isolation, social distancing, requisition of face masks, and economic revitalization. These changes have impacted people's lives and caused material changes in the financial systems of different countries and mechanisms for anti-money laundering and countering the financing of terrorism. The annual meetings of the Asia/Pacific Group on Money Laundering (APG) and Egmont Group (EG), originally scheduled for the middle of 2020, were suspended due to the COVID-19 epidemic and border control measures. The third meeting of the 31st plenary and work group meetings of the Financial Action Task Force (FATF) were also changed to online conferences on June 24, 2020 due to the epidemic.

However, the crackdown on crime and implementation of AML/CFT operations must not be affected by the epidemic. Faced with such grave changes, countries have continuously enhanced their detection of criminal patterns related to COVID-19 and identified emerging crimes and AML/CFT risks. As an example, the "COVID-19-related Money Laundering and Terrorist Financing Risks and Policy Responses" document published by FATF in May 2020 was a collection of emerging criminal patterns and ML risks identified by countries during

the COVID-19 epidemic that must be carefully reviewed by domestic competent authorities. Chinese Taipei's achievements in disease prevention have received worldwide recognition. Law enforcement agencies have also worked hard to respond to the economic changes and reallocation of national resources. They have cracked down on multiple cases of counterfeit and faulty face masks, fake medication, subsidy frauds, and other crimes related to the COVID-19 epidemic. I believe that with continuous enhanced cooperation between the public and private sectors, cross-agency coordination, and international cooperation, all sectors can carefully review options and take appropriate response measures to overcome the tremendous challenges posed by COVID-19 together.

Respectfully,



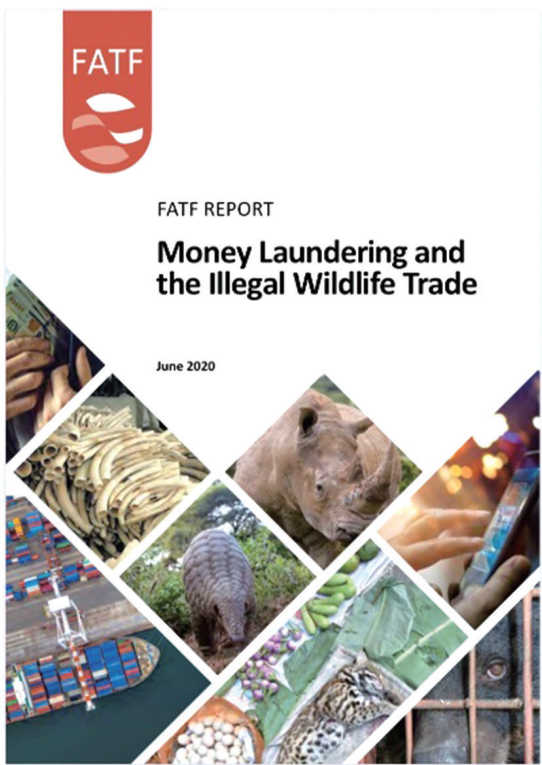
Jung-Chun WU, AMLD Head

II. Highlight of this issue: Key topics in the third meeting for the FATF's 31st plenary

The FATF meeting was affected by the COVID-19 epidemic and the plenary and work group meetings originally scheduled for June 2020 were changed to online meetings. The plenary was held on June 24, 2020 and the following key topics and important conclusions were proposed at the end of the meeting:

i Major Initiatives:

1. Mitigation of the ML/TF risks of virtual assets: The FATF publish the 12 Month Review - Revised FATF Standards on Virtual Assets (VA) and Virtual Asset Service Providers (VASPs) on the application of FATF Standards in different countries. The report specified that both the public and private sectors have achieved progress in the implementation of revised FATF Standards in this period but certain members have not completely implemented the Standards on VA and VASPs and further guidance is required. The FATF will continue to enhance cooperation with the private sector in the next one-year review period and gain a more in-depth understanding of the ML/TF risks of VA and VASPs. It is expected to publish the research information on the related patterns and case studies of VA and VASPs before October 2020.
2. FATF Report to G20 on So-called Stablecoins: In October 2019, the G20 asked the FATF to consider the AML/CFT issues relating to so-called stablecoins. FATF, the Financial Stability Board (FSB), and the International Monetary Fund (IMF) conducted a joint research and published a report which specified that the stablecoins have not only changed the virtual asset ecosystem but will also affect ML/TF risks. The report confirmed that the FATF Standards must be applied to stablecoins and we must closely monitor the ML/TF risks of the stablecoins. The FATF emphasized that it will consider whether further updates of the FATF Standards are necessary and publish guidelines for VA and stablecoins.
3. Money laundering and illegal wildlife trade: The FATF published the Money Laundering and the Illegal Wildlife Trade report in June 2020. The report stated that illegal wildlife trade is a major transnational organized crime, which generates criminal proceeds of billions of USD each year. Criminals use regular financial systems and corporate entities and trade practices that appear to be legal for money laundering, threatening biodiversity, the financial system, and public health. The report stated that many countries have failed to take sufficient actions and recommended that countries increase their political commitments and continue to monitor related issues. The FATF also provided action plans and investigation tools for implementation in the report.



Report download URL:
<https://www.fata-gafi.org/publications/methodsandtrends/documents/money-laundering-wildlife-trade.html>

ii Publication of high-risk countries/ regions:

On April 28, 2020, the FATF announced a temporary 4-month suspension of related review procedures on countries and regions subject to enhanced monitoring due to the impact of the COVID-19 epidemic. As such, the FATF plenary only issued updated review statements for Iceland and Mongolia and the list of countries and regions classified as high-risk and enhanced supervision remains the same as the list published by the FATF in February 2020:

1. High-risk jurisdictions subject to a call for action: North Korea, Iran.
2. Jurisdictions under increased monitoring: Albania, Bahamas, Barbados, Botswana, Cambodia, Ghana, Iceland, Jamaica, Mauritius, Mongolia, Myanmar, Nicaragua, Pakistan, Panama, Syria, Uganda, Yemen, Zimbabwe.

III. AMLD Classroom

Targeted Financial Sanctions (TFS)

Targeted financial sanctions refer to the freezing of the assets, funds, and financial assets or economic resources directly or indirectly controlled by the sanctioned parties. Terrorism and the proliferation of weapons of mass destruction (hereinafter referred to "proliferation") continue to pose a serious threat to world peace and security. The main cause of the threat is the significant financial support for such activities. To prevent terrorism and proliferation, it is crucial to deter all related financial activities, which is the purpose of implementing targeted financial sanctions.

Recommendation 6 and 7 in the FATF International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation require countries to comply with resolutions of the United Security Council by freezing related funds and other assets

of designated targets "without delay" and ensuring that no funds or other assets are made available, directly or indirectly, to designated targets of sanctions. Chinese Taipei abided by international standards and included countering the financing of terrorism and proliferation into national AML mechanisms. Chinese Taipei passed the Counter-Terrorism Financing Act on July 27, 2016 (amended in November 7, 2018). The regulations on targeted financial sanctions are specified in Article 4 to Article 7 of the Counter-Terrorism Financing Act.

According to Article 4 and Article 5 of the Counter-Terrorism Financing Act, the reporting and reviewing mechanisms for sanctions list in Chinese Taipei include

1. domestic reporting mechanisms (approval of the TF review committee in Article 4 of the Counter-Terrorism Financing Act): The competent authority, Ministry of Justice, shall report specific individuals, legal persons, or entities under its own authority or the Bureau's domestic investigations or international cooperation on terrorism, proliferation, and related financing activities. The competent authority may, subject to the approval of the TF review committee, include such individuals, legal persons, and entities on the sanction list and publish such list.
2. International reporting mechanisms (statutory sanctions in Article 5 of the Counter-Terrorism Financing Act): Targeted financial sanctions shall be imposed on targets specified in the resolutions regarding TF and proliferation of the United Nations Security Council. Such targets shall not require the approval of the TF review committee and shall be effective based on reports from the Investigation Bureau or designated and announced by the Ministry of Justice under its own authority. Related United Nations Security Council Resolutions include: (1) TF-related: UNSCR 1267 and UNSCR 1989 on Al-Qaida; UNSCR 1988 on the Taliban; UNSCR 2253 on the Islamic State of Iraq and the Levant (ISIL) and Islamic State of Iraq and Syria (ISIS), and related subsequent resolutions. (2) Proliferation-related: UNSCR 1718 on North Korea, UNSCR 2231 on Iran, and related subsequent resolutions.

The legal effects of sanction announcements are based on Article 7 of the Counter-Terrorist Financing Act. Targets designated and announced based on the aforementioned mechanisms are prohibited from conducting any financial transaction, transfer, change, or disposal of their properties and property interests. Third parties are also prohibited from financing targets under sanctions. Financial institutions and other legal entities must immediately freeze the funding or assets of such targets and report to the Bureau. Any violation shall be processed in accordance with regulations in Article 9 and Article 12 of the same Act.

IV. AMLD statistics

- i STR statistics: The total number of STR cases from January 1 to June 30, 2020 stood at 11,638.

Reporting Entities	1/1~6/30, 2020	Reporting Entities	1/1~6/30, 2020
Domestic banks	9342	Securities investment trust enterprises	21
Foreign bank branches	10	Securities finance enterprises	2
Trust and investment enterprises	0	Securities investment consulting enterprises	0
Credit cooperatives	288	Centralized securities depository enterprises	7
Credit departments of farmers' associations	284	Futures merchants	23
Credit departments of fishermen's associations	7	DNFBPs	33
Chunghwa Post	867	Mainland banks	6
Bills finance companies	0	Electronic payment service providers	30
Credit card companies	16	Financial leasing	10
Insurance companies	568	Foreign currency exchange counters	0
Securities firms	122	Innovative experimentation service and others	2

Note: STR statistics is verified with reporting entities on a half-yearly basis. The numbers in this table include some unverified numbers. The correct statistics shall be based on those specified in the AMLD' s annual report.

Statistics of STRs from DNFBPs			(Unit: case)
Reporting Entities	1/1~12/31, 2019	1/1~6/30, 2020	
Accountants	29	16	
Bookkeepers, bookkeeping and tax return filing agents	1	0	
Jewelry businesses	2	0	
Land administration agents	12	2	
Lawyers	0	0	
Notaries	23	12	
Real estate brokers	1	3	
Total	68	33	

ii Statistics of money laundering prevention items in International Cash and Security Transportation Reports (ICTRs)

Statistics reported by the customs from January 1 to June 30, 2020 (Unit: case)			
Customs	Cargo shipments (including other similar methods)		Passengers (including providers of transportation services)
		Outbound	
Taipei	Outbound	23,734	4,482
	Inbound	83,706	
Keelung	Outbound	101	19
	Inbound	533	
Kaohsiung	Outbound	24	1,368
	Inbound	380	
Taichung	Outbound	80	74
	Inbound	12	

iii Statistics of Currency Transaction Reports (CTRs):

CTR statistics (Unit: transactions)		
Reporting Entities	1/1~12/31, 2019	1/1~6/30, 2020
Domestic banks	2,420,092	1,208,618
Foreign banks	10,892	4,498
Credit cooperative associations	123,450	58,654
Credit departments of farmers' and fishermen's	260,886	128,152
Chunghwa Post	271,642	130,474
Insurance companies	5,877	2,960
Jewelry businesses	135	98
Investment trust/consulting companies	0	2
Electronic payment service providers	0	1
Subtotal	3,092,985	1,533,457

iv Statistics of international intelligence exchange

Statistics of international intelligence exchange (Period: January 1 to June 30, 2020)		
Matter	Cases	Reports
Foreign entities requests	33	109
Chinese Taipei requests	11	43
Foreign entities provided	38	76
Chinese Taipei provided	11	20
other matters	0	108
Total	93	356

V. Event Highlights

i Participating in the 2020 Egmont Group Working Group and Egmont Committee Meetings

The 2020 Egmont Group Working Group and Egmont Committee Meetings was held at the Ravenala Attitude Hotel in Balaclava, Mauritius from January 27 to January 31, 2020. More than 300 representatives from countries and international organizations attended the event. The Chinese Taipei delegation was headed by former AMLD Head Hung-Chin Li and it participated in meetings of the "Membership, Support and Compliance Working Group" and the "Asia Pacific Regional Group". The Egmont Membership of the Bhutan Financial Intelligence Unit was reviewed and concluded in the meetings and attendees reached a consensus on signing a Memorandum of Understanding on Exchange of Information of Anti-Money Laundering and Countering Terrorism Financing with FIUs with representatives from Kosovo. Since AMLD became a member of the Egmont Group in 1998, we have provided technical support to assist in operations of the meetings. We have also served as a representative of Asia Pacific in key decision-making operations. We are currently co-sponsoring the entry of FIU Vietnam with FIU France to actively create opportunities for interactions with members while deepening Chinese Taipei's participation in international organizations.

ii Meetings between the AMLD, supervisory authorities, and law enforcement authorities

To strengthen the capacity of the national FIU in supporting the operational requirements of the competent authorities of law enforcement and supervision, enhance the effectiveness of the use of financial intelligence, and respond to the recommendations proposed by the APG in the mutual evaluations, AMLD actively exchanged ideas with competent authorities and law enforcement agencies in the first half of 2020. AMLD organized meetings with the Coast Guard Administration of the Ocean Affairs Council, Taxation Administration of the Ministry of Finance (including the Fiscal Information Agency, National Taxation Bureau of Taipei, and National Taxation Bureau of the Northern Area), and the Customs Administration, Ministry of Finance on January 14, February 18, and July 13, 2020 to provide and share information with the authorities and reach consensuses. The authorities actively established accelerated information sharing mechanisms after the meetings which will significantly improve the efficiency of the use of financial intelligence by the Financial Intelligence Unit, National

Taxation Bureau, Coast Guard Administration, and Customs Administration for identifying illegal activities and strengthen the coordination and cooperation between the authorities.



Coordination meeting between AMLD and the Taxation Administration, Ministry of Finance on February 18, 2020

iii AMLD signed a memorandum of understanding on international cooperation with the Republic of Kosovo

AMLD completed signing of the “Memorandum of understanding for cooperation of information-sharing regarding money laundering, crimes of relevant preparations and financing of terrorism” with the Republic of Kosovo by signing the agreement in separate locations on June 1, 2020. The MOU will be hugely beneficial for cooperation in combating transnational money laundering crimes, felonies, and financing of terrorism operations.

VI. Law Updates

- i The Bankers Association updated the "Model Guidelines for Credit Cards Companies' Anti-Money Laundering and Counter Terrorism Financing Policies and Procedures" on March 6, 2020. The amendment included changes in related texts for compliance with the regulations of the competent authorities and adjustments of the patterns of transactions

suspected of money laundering or terrorism financing in the credit card industry. For contents of the self-governing AML regulations of financial institutions, please refer to the web page of the associations of various industries or the AMLD website / domestic laws and regulations / web page of the self-governing regulations (<https://www.mjib.gov.tw/EditPage/?PageID=076d8266-a060-4888-8d67-c8f9ed514a3b>).

- ii In October 2019, the FATF announced the Best Practices on Beneficial Ownership for Legal Persons which stated that the transparency of beneficial ownership is essential to prevent the misuse of companies and legal persons. It recommended related institutions to use diverse verification methods and multiple information sources and actively acquire information on offshore beneficial owners. The Bankers Association also published the "Suggested Best Practices for Banks to Identify Beneficial Owners" on March 24, 2020 to provide banks with recommendations for identifying beneficial owners in their operations. For related contents, please refer to the self-governing regulations in the AML/CFT section of the website of the Bankers Association (<https://www.aml-ba.org.tw/regulations.php?sn=29>).

VII. Activity Preview: meetings with customs, taxation, and law enforcement authorities

According to the Asia/Pacific Group on Money Laundering Third Round Mutual Evaluation, related recommendations were proposed to AMLD and law enforcement authorities: "Continue to enhance AMLD's support for the operational requirements of other law enforcement authorities to reduce the number of financial intelligence reports that are distributed but not fully applied in investigations." Therefore, AMLD has sought to enhance the sharing of financial intelligence and usage. In addition to organizing business conferences with the Coast Guard Administration of the Ocean Affairs Council, Taxation Administration of the Ministry of Finance, Fiscal Information Agency, National Taxation Bureau of Taipei, and National Taxation Bureau of the Northern Area in the first half of 2020, AMLD will prioritize the organization of conferences with the National Police Agency of the Ministry of the Interior, Agency Against Corruption of the Ministry of Justice, Financial Supervisory Commission, and the Bureau's internal criminal investigation units in the second half of 2020 to exchange opinions and establish communication mechanisms on the use of financial intelligence and enhancement of cooperation between the public and private sectors and between government institutions.

VIII. Appendix: News reports on investigations of law enforcement authorities of Chinese Taipei

i Foreword

The outbreak of the COVID-19 epidemic in early 2020 caused national governments to pour resources into disease prevention and implement response measures such as border controls, home isolation, economic revitalization, tax exemptions, and monetary subsidies. It has also increased the market's demand for sanitation and health products such as face masks, disinfectants, respirators, vaccines, and COVID-19 test kits, along with domestic necessities. In addition, the implementation of working from home, use of online platforms for social activities, economic slump, and increased unemployment, as well as the changes stemming from these response measures and lifestyles have provided new opportunities for criminal organizations to launder criminal proceeds or change patterns of criminality. In response to the emerging ML/TF risks and vulnerabilities, the FATF published the "COVID-19-related Money Laundering and Terrorist Financing Risks and Policy Responses" (report download URL: <https://www.fatf-gafi.org/publications/fatfgeneral/documents/covid-19-ml-tf.html>) in May 2020 in order to provide a collection of emerging criminal patterns and ML risks identified by countries during the COVID-19 epidemic. The document should be used as a valuable point of reference by domestic competent authorities. The AMLD has also collected news reports of investigations made by domestic law enforcement agencies regarding COVID-19 in 2020 for related units to use as reference.

ii News reports on COVID-19 investigations of law enforcement authorities of Chinese Taipei

- ◆ A man surnamed Chen in Taoyuan City allegedly sold what he claimed to be three-layered medical-grade face masks through the Facebook Live platform at the price of NT\$1,500 for 50 units with an average price of NT\$30 per unit, which was 6 times higher than the NT\$5 price for masks requisitioned by the government. Chen then used a "buy 50 and get 50 free" promotional method to attract large numbers of people to buy them and obtained an obscene amount of profits. However, Chen did not have sufficient face masks in storage and was unable to ship face masks to buyers after they had made their payments. He was therefore charged with the violation of the Communicable Disease Control Act, fraud, and the violation of Article 251 of the Criminal Code. (Press Release from MJIB on February 6, 2020)
- ◆ S and T, the person in charge and an officer of a certain religious sect in Taoyuan City,

allegedly purchased bottled enzyme products from a merchant surnamed Chen, who was unaware of their plans, in early February when the COVID-19 epidemic began to spread, and claimed to their believers that the enzyme products were the "essence of dragon" and were created by an unknown mysterious monk after 27 years of research and development. They also claimed that it cured SARS patients in 2003 and has cured hundreds of cancer patients since then, and that it can be used to cure COVID-19. They planned to raise NT\$20 million in funding to produce 10,000 bottles of the "essence of dragon" and gift them to patients suffering from COVID-19 in China. They solicited financial support from their believers at the price of NT\$10,000 per unit. Donors can also obtain the "essence of dragon" for their own consumption. They attracted numerous believers including one surnamed Pu who used the communication software LINE to disperse false information regarding the use of the "essence of dragon" as a cure for COVID-19 and solicited donations from the public. In a few days, the perpetrators successfully raised approximately NT\$2 million. (Press Release from MJIB on April 21, 2020)

- ◆ H, the person in charge of the company Y in Kaohsiung, imported "Y disposable medical face masks (unsanitized)" produced by a certain factory in Wuhan, Hubei Province, China for domestic sales. The medical face masks were found to have a bacteria filtration rate of lower than 95% in inspections conducted by the Food and Drug Administration of the Ministry of Health and Welfare. They failed to meet the standards specified in the Pharmaceutical Affairs Act and were deemed as faulty medical equipment (low-quality face masks). H used the opportunity posed by the large increase in medical face masks due to domestic disease prevention measures to sell the unqualified medical face masks. He also raised the price from the wholesale price of NT\$0.526 to NT\$4 for profitability and sold 760,783 units. H was subsequently interviewed and admitted that he had sold a total of 3,136,008 Y disposable medical face masks at the price of NT\$4 per unit in both February and March 2020. (Press Release from MJIB on May 1, 2020)
- ◆ Multiple important domestic energy and technology companies were targeted by ransomware attacks from May 4 to 5. The hackers infiltrated the system and planted ransomware into the companies' information equipment including internal systems, personal computers, and servers. Important data stored in the servers could not be opened. In addition to the severe impact on operations, the hackers also requested ransom payments. Investigations revealed that the hackers had begun using employees' personal computers, webpages, and DB servers to infiltrate the companies' internal networks to snoop and hide several months before the attack. After they obtained the accounts with special privileges, they infiltrated the Active Directory (AD) and used the early morning hours to alter the Group Policy Object (GPO) and assign the task schedules for malicious actions. When employees switched on their computers, the GPO would be immediately implemented to execute the task schedule. During core office hours, it would automatically download the

ransomware previously hidden by the hackers on the internal servers and execute them in the memory. If the file encryption was successful, the ransom message and contact email account would appear. After investigating the backdoor program configuration files, intermediate IPs, domain names, and related information, the hacker organization was determined to be the Winnti Group or hackers that have close relations with the Group. We are currently using international cooperation channels for investigations. (Press Release from MJIB on May 15, 2020)

- ◆ T, a man from Yilan County, did not have a fixed job and he allegedly used the opportunity of the government's organization of relief loans for workers of NT\$100,000 during the disease prevention period to conspire with persons in charge of 3 different companies including W. He used the names of the 3 companies to forge salary and employment certificates and 4 persons including T sought out 27 puppets who were short on money and wanted to apply for loans. They applied for loans from a certain bank in Yilan County under the names of the puppets and agreed that the puppets would receive NT\$95,000 each while the remaining NT\$5,000 will be split by the 4 persons including T. The bank later discovered that the 27 people were allegedly employed by 3 different companies but their salary and employment certificates had completely identical formats. Related individuals were charged with document forgery for relief loans and the 4 persons including T were prosecuted by the Criminal Investigation Bureau for forgery and fraud. (Liberty Times Net, July 4, 2020)



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