



ABSTRACT

The significant subjects for the operational matters regarding anti-money laundering and countering the financing of terrorism (AML/CFT) in the fourth quarter of 2019 was the first Plenary and Working Groups Meetings of Financial Action Task Force on Money Laundering (FATF)-XXXI held in Paris, France in October. The goal of the FATF meetings was to remain up-to-date regarding the global risk on, trends of and methods against money laundering and financing of terrorism and proliferation of weapons of mass destruction. The proposals and conclusions of the meetings will have an impact on countries' policies on AML/CFT, and it is worthwhile to continue to pay attention to these issues. The second 'No Money for Terror' Ministerial Conference on Counter-Terrorism Financing was held in Melbourne, Australia on November 7th and 8th, 2019. It was emphasized at the meeting that countering the financing of terrorism is not a task achievable by a single nation. Therefore, whether it's prevention of money laundering or countering the financing of terrorism, close, effective, and timely international cooperation and partnerships between public and private sector are of the utmost importance.

KEY TOPICS IN THE FIRST PLENARY AND WORKING GROUPS MEETINGS OF FATF-XXXI

The first Plenary and Working Groups Meetings of FATF-XXXI were held at the Conference Centre of the Organization of Economic Cooperation and Development (OECD) in Paris, France from October 13th to 18th, 2019. The meetings brought the following important issues to attention:

. Major Strategic Initiatives:

- ▶ **Understanding money laundering risks from "stablecoins" and other emerging assets:** The FATF encourages nations to swiftly take steps to implement relevant requirements in 40 Recommendations on virtual assets and their service providers, such as "stablecoins" and their service providers. Countries should in particular understand the risks of money laundering and terrorist financing relating to such industries and ensure the effectiveness supervision measures of the sector. From now on, assessments will specification look at how well countries have implemented these measures. Countries that have already undergone their mutual evaluation must report back during their follow-up process on the actions they have taken in this area.
- ▶ **Understanding and leveraging the use of digital identity:** In recent years, there has been a significant shift towards digital payments. Customer identification is essential to prevent criminals and terrorists from raising and moving funds. The FATF is drafting guidance on the use of digital identity, with the content of the practicability, reliability and independence of using digital identification systems to conduct customer due diligence, in order to assist governments, financial institutions, and other relevant entities to apply a risk-based digital identification measures.

.Other Strategic Initiatives:

- ▶ **Promoting and facilitating more effective supervision:** The FATF encourages the regulatory authorities to identify challenges and weaknesses in AML/CFT supervisions, as well as promotes risk-based approaches to supervision.
- ▶ **Best practices on beneficial ownership for legal persons:** The FATF announced the Best Practices on Beneficial Ownership for Legal Persons. Transparency of beneficial ownership is essential to prevent the misuse of companies and other legal persons. The FATF points out that using a multi-pronged approach with several sources of information is often more effective and suggests that jurisdictions shall actively obtain the beneficial ownership information for overseas legal entities.
- ▶ **Combat the laundering of proceeds of illegal wildlife trade:** The illegal wildlife trade not only has a devastating impact on the environment. Furthermore, the huge revenues generated by such activities often link to serious crimes such as corruption, fraud and drug trafficking. The FATF is committed to researching and preventing the financial flows linked to illegal wildlife trade.

EVENT HIGHLIGHTS

The Director of the Anti-Money Laundering Division (AML) represented Taiwan in attending the 2019 'No Money for Terror' Ministerial Conference on Counter-Terrorism Financing

The 2nd 'No Money for Terror' Ministerial Conference on Counter-Terrorism Financing was held in Melbourne, Australia on November 7th and 8th, 2019. A total of 65 delegations attended this meeting, including ministers from 20 countries, representatives from 14 international organizations and over 20 financial and technology companies, as well as hundreds of other participants from industry, government, and academia. Taiwan was invited for the first time to attend 'No Money for Terror' Ministerial Conference on Counter-Terrorism Financing and was represented by the Director of the AML, Gilbert Lee. At the conclusion of the meeting, apart from confirming that the next meeting will be hosted by India, the countries conducted discussions on 5 key topics and made the following commitments: (1) Recognize the ever evolving threat of terrorism and propose effective ways to tackle the financing of terrorism; (2) Recognize that kidnapping for ransom is one of the channels of financing terrorism and relevant countermeasures shall be developed; furthermore, information sharing and international collaboration should be strengthened to counter financing of terrorism; (3) Recognize the terrorism financing risks of emerging technology and propose mitigation measures such as the implementation of the FATF supervision guidelines regarding virtual assets; (4) Strengthen the partnership between public and private sector to tackle the financing of terrorism; (5) Prevent the misuse of non-profit organizations to finance terrorism through means such as risk assessment and outreaches.



Business conference between the Financial Examination Bureau of the Financial Supervisory Commission and AMLD

On December 4, 2019, the Financial Examination Bureau of the Financial Supervisory Commission hosted a business collaboration conference with AMLD. Improvements to the reporting quality of Suspicious Transaction Reports (STRs) was the main topic of discussion in this meeting. The agencies exchanged their opinions regarding the decrease in the number of STRs in 2019. Initial reviewing showed that this is due to the enhanced quality of STRs and a decrease in defensive reports, although the real reason is still subject to continued observation and review. In addition, the agencies list the following as items worthy of attention and discussion in the future: (1) Discuss the reason that "other suspicious acts of money laundering", a general indicator, continues to occupy the first three suspicious red flags chosen by reporting entities, including banking industry, securities industry, and insurance industry, in STRs; (2) Develop the case studies relating to misuse OBU (Offshore Banking Unit) accounts to enhance the reporting entities' abilities to identify OBU accounts used for money laundering, financing of terrorism and proliferation.

AML/D signed a memorandum of understanding on international cooperation with the Financial Intelligence Unit of Hashemite Kingdom of Jordan

AML/D completed the conclusion of the "Memorandum of Understanding between the Anti-Money Laundering Division, Taiwan and the Anti money Laundering and Counter Terrorist Financing Unit, Jordan Concerning Cooperation in the Exchange of Financial Intelligence Related to Money Laundering, Associated Predicate Offence and Terrorism Financing" by signing the agreement in separate locations on October 14, 2019, which will be hugely beneficial for cooperation for combating transnational money laundering, felonies and financing of terrorism. To date, AML/D has signed 50 agreements/MOUs for financial information sharing which demonstrate that the efforts and results of Taiwan's pro-active promotion of international cooperation in AML/CFT in recent years have won international recognition and approval, thus helping Taiwan to combat transnational crime and improve Taiwan's international reputation.

LAW UPDATES

► **The law updates in this issue summarized the title and the update date of self-regulations relating to financial institutions' anti-money laundering and countering terrorism financing:**

- (I) Banking industry: April 23, 2019.
- (II) Trust enterprises: October 24, 2019.
- (III) Bills finance firms: September 2, 2019.
- (IV) Credit cooperative associations: August 5, 2019.
- (V) Electronic payment service providers: January 2, 2020.
- (VI) Electronic stored value card issuers: January 2, 2020.
- (VII) Institutions engaging in credit card business: October 12, 2017.
- (VIII) Credit departments of farmer's and fishermen's associations: July, 2019.
- (IX) Futures commission merchants and leverage transaction merchants: September 6, 2019.
- (X) Futures trust enterprises and managed futures enterprises: September 6, 2019.
- (XI) Securities investment trust enterprise: October 5, 2019.
- (XII) Securities firms: July 8, 2019.
- (XIII) Life insurance businesses: June 17, 2019.
- (XIV) Insurance agents: June 17, 2019.
- (XV) Property insurance enterprises: June 17, 2019.
- (XVI) Insurance brokers: June 17, 2019.

For content of the above regulation, 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-regulation (link: <https://www.mjib.gov.tw/EditPage/?PageID=076d8266-a060-4888-8d67-c8f9ed514a3b>).

► **Sanction list of Ministry of Justice**

Shih-Hsien Chen, included in the sanction list by Ministry of Justice No. 10704500600 announcement, dated January 12, 2018, in accordance with Paragraph 1, Article 4 of the Counter-Terrorism Financing Act, has been removed from the said list via Ministry of Justice No. 10804538000 announcement, dated November 25, 2019. Sanction-related restrictions have been lifted from the date of the announcement. For details, please refer to the Ministry of Justice anti-money laundering and counter terrorist financing web page / announcement of sanction list (link: <https://www.aml-cft.moj.gov.tw/>).

AMLD STATISTICS

、 STR statistics: The total number of STR from October 1, 2019 to December 31, 2019 stood at 6,925.

STRs received by the AMLD: 2019.10.1~2019.12.31 : 6,925

Reporting Entities	2019.10.1~12.31	Reporting Entities	2019.10.1~12.31
Domestic banks	5,226	Securities investment trust enterprises	10
Foreign bank branches	9	Securities finance enterprises	0
Trust and investment enterprises	0	Securities investment consulting enterprises	0
Credit cooperatives	230	Centralized securities depository enterprises	6
Credit departments of farmers' associations	213	Futures merchants	6
Credit departments of fishermen's associations	25	DNFBPs	13
Chunghwa Post	764	Mainland banks	8
Bills finance companies	2	Electronic payment service providers	16
Credit card companies	14	Financial leasing	0
Insurance companies	304	Foreign currency exchange counters	0
Securities firms	76	Innovative experimentation service and others	3

Note : STR statistics is verified with reporting entities on a half-yearly basis. The numbers in this table include some unverified numbers.

STRs Reported by DNFBPs

Reporting Entities	2019.10.1~12.31
Certified Public Accountants	4
Bookkeepers	1
Jewelry retailers	0
Land administration agents	3
Attorneys	0
Notaries	5
Real estate brokers	0
Company service providers	0
Total	13

.Statistics of Currency Transaction Reports

CTRs received by the AMLD

Reporting Entities	2019.10.1~12.31
Domestic banks	601,844
Foreign banks	2,663
Credit cooperative associations	29,039
Credit departments of farmers' and fishermen's	63,293
Chunghwa Post	67,564
Insurance companies	1,324
Jewelry businesses	61
Other	8
Total	765,796

.Statistics of International Cross-border Transportation Reports (ICTRs)

ICTRs received by the AMLD

Custom/Period	2019.10.1~12.31
Taipei	7,330
Keelung	11
Kaohsiung	1,888
Taichung	136

.Statistics of international intelligence exchange

Intelligence exchanges (Period: 2019.1.1~9.30)

Matter	Cases	Reports
Foreign entities requests	21	80
Chinese Taipei requests	1	22
Foreign entities provided	14	36
Chinese Taipei provided	5	17
other matters	0	54
Total	41	209

APPENDIX: Indicators of suspicious acts of corruption and bribery (excerpt from AMLD strategic analysis report)

► Cases violating the Government Procurement Act

- (I) Company A, unqualified to tender, borrowed the name and the registration documents of Company B to make an offer and become the winning tenderer to a government procurement case.**
- (II) Company B lent its name and registration documents to Company A to allow Company A to participate as a tenderer and handed the passbook and seal of the company to Company A to keep and use.**
- (III) Company A borrowed Company B's license to participate in the tender, and they both participated in the tender, creating a rigged sense of competition. Company A prepared the tender documents and financing for Company B and obtained a bank clerk check in the name of Company B.**
- (IV) Company A borrowed Company B's license to participate as a tenderer, and they both participated in the tender. Company B won the tender successfully, and after the completion of the final inspection, Company B disbursed the amounts appropriated from the national treasury to Company A in the name of "off-setting cost of goods".**
- (V) Company A borrowed Company B's license to participate as a tenderer, and they both participated in the tender. Company B won the tender successfully, and then Company B received construction payment appropriated from the commissioned agency, withheld approximately 8% sales tax, and transferred the remainder to Company A.**
- (VI) Company A borrowed Company B's license to participate as a tenderer, and they both participated in the tender. Company B won the tender successfully, and then Company B received construction payments for each period, withheld approximately 3.5% to 4% of the pre-taxed construction payment, and transferred the remainder to Company A.**
- (VII) The government agency catered the tender procedures to be advantageous to a specific supplier, announcing specifications and restrictions advantageous for the specific supplier.**
- (VIII) The suppliers agreed not to compete and agreed on taking turns to win tenders, which substantially impacted the price of the tender.**
- (IX) The address, phone number, fax, email or contact person within the contents of the tender documents for different suppliers were the same.**

- (X) Although there were 3 or more tenderers, after tender opening, the other 2 or competing suppliers were clearly unqualified.
- (XI) The serial number for the checks of the bid bond from the suppliers were consecutive and the refunds were repatriated to the same account.

► **Cases of civil servants paying or receiving bribery**

(I) Engineering

1. A civil servant received kickbacks of 4% to 15% of the price of the government procurement from the winning tenderer. The supplier paid kickbacks after receiving payment following periodic assessment, and the final payment.
2. A civil servant received bribes of 5% of the price of the winning tender for accelerating the supplier's passing final inspection, receiving payment following periodic assessment, and the final payment.
3. After receiving the payment following the first periodic assessment in the supplier's account, the company sent personnel to withdraw the bribes in cash and hand the cash to the civil servant in person or through a third party.
4. The check deposited to the civil servant's bank account was deposited or issued by the construction company or other individuals or legal persons benefiting from the government procurement.
5. A civil servant responsible for the government procurement received remittances of large amounts, however, the amount was disproportionate for his/her background, position and identity as a civil servant.
6. A civil servant used private venues such as private booths in restaurants or private cars to negotiate or receive the promised bribes.
7. The accountant of the winning tenderer withdrew cash to deliver the bribes, and recorded such transactions in the name of dealings with shareholders or owing-payments.
8. A civil servant catered to specific suppliers by changing the tendering procedures from "the lowest price" to "open tendering procedures" and received kickbacks for doing so.
9. A civil servant lowered the total budget to allow specific suppliers to qualify for participation in the tender and receive corresponding payments.
10. A civil servant requested bribery from the winning tenderer in the form of supporting local activities such as "sponsored travels" and "religious events".
11. A civil servant assisted the supplier to speed up reviews of land development projects and requested corresponding payment.
12. A civil servant covered for the gravel-cleaning-and-transporting vendor, allowing the use of below-grade soil for filling and received benefits from it.

(II) Taxation cases

1. A taxman covered for specific suppliers and assisted others to make false representation of the revenue, in the financial report or of the cost to evade taxes by issuing fraudulent receipts.
2. A taxman assisted a specific supplier to make false representations in their "Business Tax Return (401 form)" and "List of Sales for Goods and Services Sold by a Business Entity at Zero-tax-rate" in order to apply for tax refunds from the National Taxation Bureau.
3. A taxman and members of a criminal gang fraudulently obtained tax returns by setting up shell companies and faking exports.
4. A taxman used internal computer systems to make queries on information such as the 401 form of a specific company and whether restrictions have been placed on its receipts or whether its receipts have been inspected, and requested corresponding payments.

► Illicit enrichment of civil servants

- (I) Cash assets of a taxman increased in the short-term and the increase was disproportionate to the taxman's income, who was unable to fully and sufficiently explain the source of the income in detail.
- (II) A civil servant or his/her family members engaged in cash transactions in unusual frequencies and amounts.
- (III) A civil servant or his/her family members purchased foreign currency or insurance with cash from unknown sources.
- (IV) Apart from the personal salary account of a civil servant, the civil servant also used friends' accounts to receive cash from unknown sources.
- (V) A civil servant deposited cash from an unknown source to his/her personal account. When asked about it by the teller, the civil servant argued that the cash was inherited from a deceased family member who had the habit of keeping large amounts of cash at home.
- (VI) The deposits of the spouse or the children of a civil servant sharply increased within a specific period of time, and the increase is disproportionate to the income of the civil servant.
- (VII) A civil servant deposited cash into accounts owned by different persons separately, and turned the amount into funds under others' names by means of gifts to pay off mortgages etc.
- (VIII) A civil servant received large amounts of cash in the name of teaching part-time classes, speech fees, or stock investments to try to cover-up that such amounts are proceeds from corruption.

(IX) A civil servant paid the down payment for real estate property after receiving cash from an unknown source.

(X) A civil servant or his/her family members purchased real estate by establishing a legal person or through legal agreements.

► **Cases of election bribery**

(I) A candidate organized overseas trips for voters, paid for the trip and requested voters to vote in a specific way.

(II) A candidate distributed free meal vouchers for voters and requested voters to vote in a specific way.

(III) A candidate conducted election bribery targeting those eligible to vote in the name of wages for the distribution of flyers.

(IV) A candidate conducted election bribery targeting those eligible to vote in the name of distributing allowances and subsidizing gas usage.

(V) A candidate delivered cash in the name of campaign sponsorship to candidates running for village heads, to secure their support.

► **Corruption cases involving the police**

(I) A district police officer covered for illegal sex industry in order to evade inspections and received monthly payments and holiday benefits as corresponding payment.

(II) A police officer covered for gambling facility organizers and obtained facility shares as corresponding payments.

(III) A police officer covered for illegal loan sharks, in which debtors who cannot repay large loans are forced to transfer their real estate to the close associate of police officer.

(IV) During the handling of procurement for his/her unit, a police officer disclosed the number of tenderers and the list of reviewers to specific suppliers and requested kickbacks.

(V) A police officer covered for the crime of specific criminals without reporting and requested bribery as corresponding payments.