



BANK OF PAPUA NEW GUINEA

FINANCIAL ANALYSIS & SUPERVISION UNIT

2020 ANNUAL REPORT

PAPUA NEW GUINEA'S
FINANCIAL INTELLIGENCE UNIT (FIU)

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2020 Annual Report
Financial Analysis and Supervision Unit (FASU)
BANK OF PAPUA NEW GUINEA

Papua New Guinea's
Financial Intelligence Unit (FIU)

VISION, MISSION AND OBJECTIVE

VISION

Creating an enabling environment for investment, trade, business development and economic stability, free from the influence of money laundering, proliferation and terrorist financing in PNG.

MISSION

To actively detect, deter and disrupt domestic and international money laundering and terrorist financing activities, thus protecting the integrity of PNG's financial system from being misused or abused for improper personal or professional gain.

OBJECTIVE

To strengthen the AML/CTF regime in PNG to meet international standards and practises.
To enhance and strengthen co-operation and co-ordination between domestic and international partner agencies to combating ML/TF activities.

**TRANSMISSION LETTER FROM THE DIRECTOR
FINANCIAL ANALYSIS AND SUPERVISION UNIT**

31 March 2021

The Board of the Bank of Papua New Guinea

Dear Governor,

Pursuant to Section 75 of the *Anti-Money Laundering and Counter Terrorist Financing Act 2015*, I am pleased to submit the annual report on the operations of the Financial Analysis and Supervision Unit (FASU) for the year ended 31 December 2020.

Yours sincerely,

Benny B M Popoitai, MBE

Director
Financial Analysis and Supervision Unit

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List of Acronyms

AGD	Attorney General Department of Australia
AMLC	The Anti-Money Laundering Council of the Philippines
AML/CTF	Anti-Money Laundering and Counter-Terrorism Financing
AML/CTF Act	Anti-Money Laundering and Counter Terrorist Financing Act 2015
AMLAT	Anti-Money Laundering Assistance Team
APG	Asia/Pacific Group on Money Laundering
AUSAID	Australian AID
AUSTRAC	Australian Transaction Reports and Analysis Centre (Australia's FIU)
BPNG	Bank of Papua New Guinea, PNG's Central Bank or Bank of PNG
CDD	Customer Due Diligence
DFAT	Department of Foreign Affairs and Trade
DJAG	Department of Justice and Attorney General
DNFBP	Designated Non-Financial Businesses or Professions
DoT	Department of Treasury
Egmont	The Egmont Group (an affiliation of FIUs)
FASU	Financial Analysis and Supervision Unit (Papua New Guinea's FIU)
FATF	Financial Action Task Force
FI	Financial Institution
FIU	Financial Intelligence Unit
IEFTR	International Electronic Funds Transfer Report
IMD	Intelligence Management Division
INTERPOL	International Criminal Police Organization
IPA	Investment Promotion Authority
IRC	Internal Revenue Commission
KYC	Know Your Customer
LEA	Law Enforcement Agencies
ME	Mutual Evaluation
ML/TF	Money Laundering/Terrorism Financing

MOU	Memorandum of Understanding
MVTS	Money Value Transfer Systems
NCB	National Central Bureau
NCC	National Coordinating Committee on AML/CTF
NEC	National Executive Council
NFA	PNG National Fisheries Authority
NGCB	National Gaming Control Board
NIO	National Intelligence Organization
NNB	PNG National Narcotics Bureau
NPO	Non-Profit Organizations
NRA	National Risk Assessment on ML and TF
OC	Ombudsman Commission
OIC	Office of the Insurance Commissioner
OPP	Office of the Public Prosecutor
PNG	Papua New Guinea
PNG CS	PNG Custom Service
PNGFA	PNG Forest Authority
PM & NEC	Office of the Prime Minister and National Executive Council
PNG ICA	PNG Immigration and Citizenship Authority
RPNGC	Royal Papua New Guinea Constabulary
SCD	Supervision and Compliance Division
SMR	Suspicious Matter Report
SOP	Standard Operating Procedure
SPEAR	Supporting PNG's Effective AML/CTF Reform Program
SRA	Sector Risk Assessment of the ML/TF
TTR	Threshold Transaction Report
UNDP	United Nations Development Program
UNODC	United Nations Office on Drugs and Crime

NATIONAL CO-ORDINATING COMMITTEE CO-CHAIR'S MESSAGE



Loi M Bakani, CMG
Governor, Bank of PNG
Co-Chair, National
Co-ordinating Committee on
AML/CTF

The year 2020 has been a challenging year, not only for Papua New Guinea but for the world over as well. The year began with the introduction of Corona Virus (Covid-19) that halted businesses and affected people's normal livelihoods. Borders were shutting as countries desperately tried to grasp with lockdowns in attempts to prevent the spread of Covid-19. This has caused major disruptions to workflows in the public and private sectors. Lockdowns imposed by our Pandemic Controller significantly affected businesses, which has resulted in a downward turn in the economy.

Covid-19 has significantly disrupted the National Coordinating Committee (NCC) on Anti-Money Laundering and Counter Terrorist Financing (AML/CTF) scheduled meetings due to restrictions of the Covid-19 protocols, the "new normal" or "Niupela Pasin". The NCC usually meets quarterly, however; the committee met only on three occasions to discuss and deliberate anti-money laundering and counter terrorist financing (AML/CTF) matters including a special meeting during the year.

The challenges of misinformation and misunderstanding by the public on AML/CTF issues remains. A lot is needed to educate reporting entities and the public alike on the AML/CTF obligations. Amidst these challenges lies the need to promote financial inclusion in PNG without jeopardising the integrity of the financial system.

Despite all these, I want to acknowledge PNG's donor partners who have been working with the Bank of PNG/FASU and the Department of Justice and Attorney General (DJAG) that the capacity development agendas pursued by the NCC members through the technical assistance provided were rolled out. I want to thank the donors and partners, namely, United Nations Office on Drugs and Crime (UNODC), the International Criminal Police Organisation (INTERPOL), Asia Pacific Group on Money Laundering (APGML), and the Australian Government through Australian Transaction Reports and Analysis Centre (AUSTRAC) and Australian Department of Home Affairs (DHA) for the undivided and continued support and assistance during these unprecedented times posed by Covid-19 Pandemic. I look forward to the continuation of your support.

I specifically want to thank the Australian Government through the DHA and AUSTRAC for providing the funding to engage an expert to do a diagnosis of PNG's AML/CTF framework in preparation for the actual Mutual Evaluation in 2022. The recommendations from the diagnosis are invaluable towards informing the strategic direction of the NCC as it prepares for PNG's next round of Mutual Evaluation.

Finally, I want to thank the NCC members for managing its affairs through the year despite the challenges posed by Covid-19. I urge us all to continue the commitment to ensure that PNG's AML/CTF agendas are progressed through the collaboration we foster domestically and internationally given our various roles in fighting financial crime as we protect the integrity of PNG's financial system.

Thank you.

DIRECTOR'S MESSAGE



Benny B M Popoitai, MBE
 Director
 Financial Analysis and
 Supervision Unit

I am pleased to present the 2020 Annual Report for the Financial Analysis and Supervision Unit (FASU). The Covid-19 pandemic in 2020 has had a major impact on the implementation of FASU's action items under the National AML/CTF Strategic Plan 2017-2022 (NSP). The invoking of the Bank of PNG's Business Continuity Plan (BCP) meant that all Business functions within the Bank including FASU had to scale back on man-hours as the Covid-19 protocols needed to be adhered to as preventive measures.

Despite this limitation, FASU aspired to implement its action items that are integral to the implementation of the NSP and the 2017 National Risk Assessment (NRA).

The 2020 Annual Report is the third publication and is a mandatory requirement under Section 75 of the *Anti-Money Laundering and Counter Terrorist Financing Act 2015* (AML/CTF Act). The major highlights of the annual report include the conducting of several sectorial risk assessments; completion of PNG's pre-mutual evaluation assessment exercise, development of FASU's intelligence management capabilities, and the completion of phase 1 of its records management and filing system.

FASU is required to produce and provide quality intelligence reports to domestic and international counterparts and law enforcement agencies (LEAs) for the purposes of fighting financial crimes. As the designated AML/CTF supervisor, FASU conducts onsite and offsite supervision and compliance activities on the reporting entities.

Reporting entities are required to register with FASU pursuant to Section 57 of the AML/CTF Act. Registration of reporting entities are continuing, with 146 reporting entities registered with FASU to-date.

FASU's intelligence management function continued to perform well in developing financial intelligence reports for dissemination to supervisory and LEAs domestically and internationally. Despite the Covid-19 disruptions, FASU continued to also ensure it was responding in a timely manner towards the financial intelligence requests from counterpart agencies both domestic and international.

FASU's supervision and compliance activities were also disrupted and reduced as Covid-19 cases continued to grow in the country. Despite this hindrance, FASU continued to work smart and ensured that its mandate was delivered upon.

The National Coordinating Committee (NCC) on AML/CTF and Technical Working Group (TWG) meetings were significantly disrupted with less number of meetings and action put on hold and/or deferred.

FASU continues to embrace the support of international donors and partners who continue to provide technical assistance and support remotely. The remote and virtual assistance has helped FASU immensely in delivering on its various mandates.

The AUSTRAC and DHA through the Government of Australia continue to provide the support needed to prepare PNG for its next round of Mutual Evaluation. As mentioned by Governor Bakani, PNG is grateful for the technical assistance it has been receiving from the international donor partners. I acknowledge the direct yet remote technical assistance provided to FASU by the Australian Government through the DHA and AUSTRAC, the UNODC and INTERPOL through the various

capacity development initiatives.

I encourage all the domestic agencies that are members or observers to the NCC on AML/CTF to continue to keep the corroborated working spirit that we foster. It has been challenging with the covid19 pandemic causing major disruptions to government business but let us keep working smart together to overcome the hurdles we face in delivering on PNG's AML/CTF strategic plan and its action items. The NCC Secretariat will continue to work with each agency to monitor and progress on deliverables as PNG heads closer to its next round of Mutual Evaluation.

Lastly, I wish to thank all the NCC Co-Chairs, Bank of PNG and DJAG for providing the leadership, and to the NCC member agencies for the collaboration in our efforts. I also wish to thank the Bank of PNG Board and the Executive Management for the continuous administrative support towards ensuring FASU remains operationally effective. My word of thank you to all international partners and donor and technical assistance providers who have been with us through this journey and through this difficult time the world faces. I want to also thank the reporting entities for your support and commitment towards your obligations under the AML/CTF Act but more broadly for the effort you place on your part in deterring financially motivated crimes.

I look forward to continue working with you all in 2021 and beyond.

God Bless PNG!

1.0 GOVERNANCE STRUCTURE

FASU is accountable to the People of Papua New Guinea through the demonstration of the effectiveness of its mandate in the *Anti-Money Laundering and Counter Terrorist Financing Act 2015* (AML/CTF Act). Its establishment gives rise to its national and international obligations to ensure a safer and stable financial system.

1.1 Director of FASU

The AML/CTF Act specifies in Section 62 that the Director is an officer of the Bank of Papua New Guinea (BPNG) and Section 67(1) states that all officers of FASU are employees of the BPNG in accordance with the *Central Banking Act 2000*. Pursuant to Section 63 of the AML/CTF Act, the Director is appointed by the Governor of the BPNG in consultation with the Commissioner of Police and Secretary for DJAG.

The functions and powers stipulated in the AML/CTF Act are vested in the Director who is responsible for implementing the Act.

1.2 Accountability to the Governor

FASU is independent in performing and discharging its core functions as required under the AML/CTF Act. However, administratively, FASU and its officers are subject to the BPNG's administrative processes and procedures; corporate strategy, planning, budgeting, human resources, trainings and other policy matters that concern the Bank. All administrative approvals are subject to the Governor's approval and internal Bank wide policies.

Apart from producing an annual report and presenting it to the Governor and the Board of the BPNG, pursuant to Section 75 of the AML/CTF Act 2015, the Director provides operational reports annually to the Governor and quarterly board papers to the Governor and the Board of BPNG.

1.3 Independence of FASU

The Director of FASU is responsible for implementing the core functions and powers of FASU under the AML/CTF Act. In exercising the functions and powers under this Act, the Director is operationally independent in accordance with Section 69(2) of the AML/CTF Act.

Section 61 of the AML/CTF Act establishes FASU's existence as an operationally independent function within the BPNG.

1.4 National Coordinating Committee (NCC) on AML/CTF

The NCC on AML/CTF, established by the National Executive Council (NEC) Decision No: NG 150/2012 on 13 December 2012, consists of heads of 18 state agencies and 3 observer agencies.

The Governor of BPNG and the Secretary of DJAG are Co-chairs to the NCC on AML/CTF. Inherently, officers from BPNG-FASU and DJAG assume the secretariat role to the NCC. The NCC meets quarterly every year.

Operationally, the NCC has a technical working group (TWG) consisting of technical officers from the NCC member agencies. The TWG is responsible for the implementation of the NCC proposed and sanctioned initiatives.

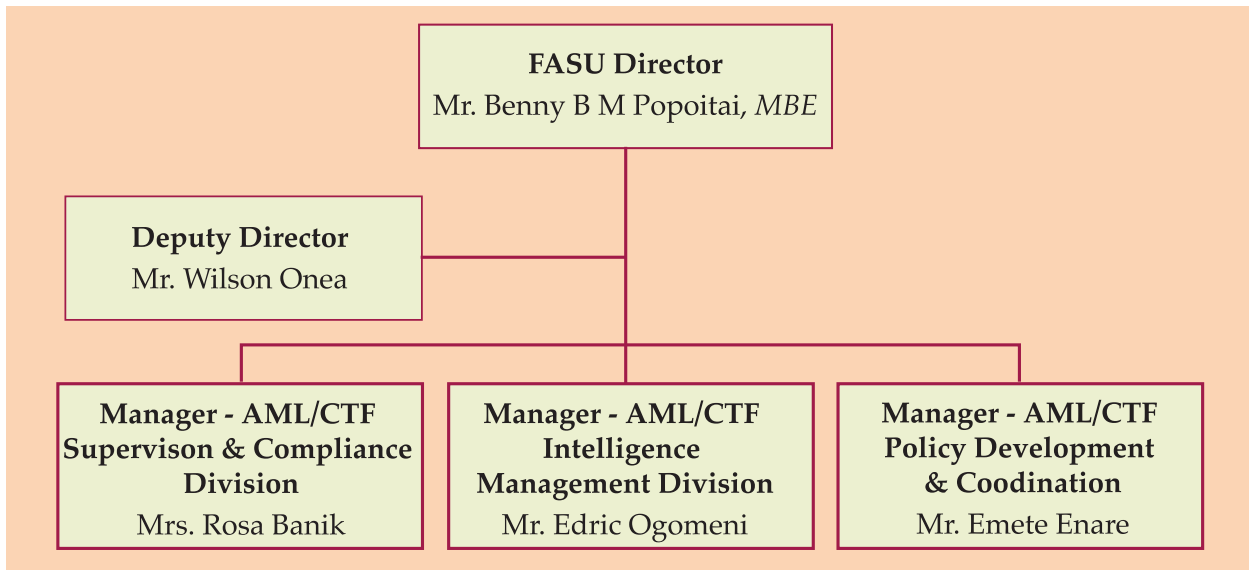
2.0 FASU’s ROLES AND RESPONSIBILITIES

FASU’s role is to protect PNG from money laundering and terrorist financing. Its objective is to ensure that PNG’s financial system is not being used or abused by individuals or groups to profit of financially motivated crimes. FASU is responsible for ensuring the integrity of PNG’s financial system and in doing so, promotes investor confidence for genuine investors.

The performance of its core functions are divided into three (3) divisions as indicated in the current structure (figure 1) below.

2.1 FASU Structure

Figure 1: Current FASU Structure



Source: Financial Analysis and Supervision Unit

FASU currently has 27 staff which comprised of Executives (2), Middle management (3), Operational (16) and Admin and Support (6).

2.1.1 Intelligence Management Division

The Intelligence Management Division (IMD) receives SMRs, TTRs, IEFTRs and performs intelligence gathering, analysis and dissemination concerning suspected money laundering, terrorist financing and related predicate offences considered to generate proceeds of crime. These are then disseminated to relevant counterpart agencies both domestically and internationally through the various information exchange arrangements FASU has established.

Requests for information from domestic LEAs and international counterparts are received and processed by IMD and responded to within reasonable time. The IMD are also responsible for developing risk assessments, strategic analysis reports and typology reports in relation to ML/TF risks and raises awareness in consultation with SCD and PDCD.

2.1.2 Supervision and Compliance Division

The Supervision and Compliance Division (SCD) performs the role as the Supervisor for AML/CTF purposes across all registered financial institutions (FIs) and designated non-financial business professionals (DNFBPs). The SCD monitors, supervises and enforces compliance of the obligations prescribed in the AML/CTF Act.

It also coordinates with other regulatory authorities such as AUSTRAC, Reserve Bank of New Zealand and AML/CTF supervisors within the Pacific for the purposes of supervising the FIs and DNFBPs in consultation with IMD and PDCD. SCD in consultation with IMD and PDCD also raises ML/TF risk awareness.

2.1.3 Policy Development and Coordination Division

The Policy Development and Coordination Division (PDCD) role is to ensure that policies for supervision and compliance for FIs and DNFBPs are in line with the AML/CTF Act and other relevant guidelines, rules, standards and regulations.

It is also responsible for the development of FASU's internal standard operating procedures (SOPs). This function also performs the coordinating role for both domestic and international engagements, including coordinating with donor and technical assistance providers and NCC agencies on trainings, conferences and workshops for capacity building initiatives. PDCD is also responsible for performing NCC secretariat duties for effective domestic coordination. PDCD has assumed the role of doing registration of FIs and DNFBPs taking over the task performed by SCD in the preceding years. PDCD in consultation with SCD and IMD also raises awareness on ML/TF policy aspects.

The focus of PDCD during the year was in preparing domestic agencies for the Mutual Evaluation which has been scheduled for November 2021.

3.0 FUNCTIONS AND POWERS

Section 72 of the AML/CTF Act mandates FASU's functions and powers. These functions are to:

- carry out financial intelligence and analysis concerning suspected money laundering and associated predicate offences, terrorist financing and proceeds of crime; and
- monitor and enforce compliance with the AML/CTF Act;
- receive, request, collect, analyse and disseminate reports or other relevant information concerning suspected money laundering and associated predicate offences, terrorist financing and proceeds of crime;
- develop risk assessments and typology reports in relation to, and raise awareness of, money laundering and terrorist financing and obligations on FIs and DNFBPs under this Act; and
- co-operate with domestic agencies and regulatory authorities and foreign counterpart agencies to monitor and assess the risk of ML/TF; and
- ensure the effective implementation of this Act; and
- supervise FIs and DNFBPs for the purpose of this Act, including enforcing compliance with this Act;
- co-ordinate with other regulatory authorities for the purpose of supervising FIs and DNFBPs in enforcing compliance with the obligations under this Act; and
- produce AML/CTF compliance rules to assist FIs and DNFBPs to comply with their obligations under this Act.

FASU has a range of powers that allows it to carry out these functions. These include:

- The power to request information and records under Sections 81 & 82 - either as a one-off request or as a continuing obligation to keep FASU informed as circumstances change.
- The power to conduct on-site inspections under Section 86 and the power to compel the production of documents and answer questions pursuant to a warrant, under Section 93 of the AML/CTF Act.
- Criminal penalties are attached to offences under Sections 81, 82, 86 and 93 for individuals and corporate bodies.

3.1 Enforcement Powers

Where there are reasonable grounds to believe that a FI or DNFBP has failed to comply with the AML/CTF Act, FASU has a range of options including;

- issuing a formal warning under Section 100;
- issuing infringement notices under Section 101;
- enforceable undertakings under Section 102;
- performance and restraining injunctions under Sections 104 and 105 respectively; and
- publish notices of non-compliance under Section 106.

FASU continues to reach out to the various reporting sectors and to specific institutions and agencies upon invitation as and when required for the purposes of AML/CTF obligations and risk awareness.

4.0 INTELLIGENCE MANAGEMENT

4.1 Dissemination of Financial Intelligence

As a core mandate of an FIU, FASU receives intelligence reports, Suspicious Matter Reports (SMRs), Threshold Transaction Reports (TTRs) and International Electronic Funds Transfer Reports (IEFTRs) from reporting entities and also tip offs, which it processes and disseminates to LEAs and counterparts domestically and internationally. It also receives, processes and makes financial intelligence requests for purposes of information collection, analysis and intelligence development.

One of the core functions of an FIU is the dissemination of financial intelligence as required under FATF Recommendation 29¹. FASU disseminates two types of products; Intelligence Reports and SMRs generated in its database systems. Financial intelligence enables our law enforcement partners to investigate and build cases for prosecution based on predicate crimes to money laundering and terrorist financing activities.

Over the reporting period of January 01 to December 31, 2020, FASU disseminated a total of 77 Intelligence Reports to counterpart law enforcement agencies. FASU disseminated 5 intelligence reports to foreign counterpart FIUs within the region and received 7 intelligence reports from counterpart FIUs.

¹FATF Recommendation 29 is the international standard related to FIU. It requires that countries should establish a FIU that serves as a national centre for receipt and analysis of suspicious transactions and other information relevant to ML/TF and associated predicate offences and for dissemination of the results of those analyses.

During the year, FASU also received 5 requests for information from foreign counterpart FIUs and responded to all requests accordingly. FASU also made 3 requests for information to foreign counterpart FIUs. The spontaneous disseminations and request for information from the counterpart FIUs has increased to 7 compared to only 1 in 2019.

FASU made 6 requests to domestic agencies for information under the existing MOUs and received 24 requests for information from domestic agencies to assist with their investigations and compliance matters. The number of requests from other agencies remains at an average of 24 requests annually, which gives prominence to FASU as a central agency that can be reached to source or provide necessary information required by investigative or regulatory agencies to assist in any investigations or compliance issues.

The number of requests made by FASU to reporting entities is 135 during the year. The reporting entities continue to provide necessary information needed for analysis and intelligence development through the Section 81 Notices issued by FASU.

Table 1 below shows the domestic agencies that received FASU's intelligence reports and SMRs.

Table 1: Domestic Dissemination of Intelligence Report and Raw Bulk² SMRs 2018 - 2020

Agency	Intelligence Reports			Bulk SMRs		
	2018	2019	2020	2018	2019	2020
Royal PNG Constabulary (RPNGC)	14	14	33	1	9	19
Internal Revenue Commission (IRC)	10	9	30	1	7	22
PNG Customs Services	6	1	0	0	0	0
Ombudsman Commission	2	1	13	1	9	10
Others	0	6	1	0	0	0
Total	32	31	77	3	25	51

Source: Financial Analysis and Supervision Unit

During the year, 77 intelligence reports were processed and disseminated to LEA for investigation. There were also 51 Bulk SMR disseminations consisting of 484 SMRs made to various LEAs.

Table 2: Spontaneous Information Dissemination with other FIUs from 2018 - 2020

	Year 2018	Year 2019	Year 2020
Dissemination to Other FIUs	12	3	5
Dissemination received by FASU	13	1	7

Source: Financial Analysis and Supervision Unit

²For Raw Bulk Disseminations – it is important to note that this includes SMRs that FASU has identified to contain sufficient evidence of an offence being committed and may be of interest to law enforcement to initiate an investigation. The SMRs that are sent to IRC and Ombudsman Commission are also sent to Police for further investigations for purposes of money laundering and terrorist financing and other predicate offences.

Table 3: Information Exchange with Other FIUs 2018 – 2020

Foreign	Year 2018	Year 2019	Year 2020
Number of requests made by FASU	17	3	3
Number of requests received by FASU	4	3	5

Source: Financial Analysis and Supervision Unit

Table 4: Request for Information made by FASU from 2018 – 2020

	Year 2018	Year 2019	Year 2020
Request made to Reporting Entities	54	74	135
Request made to Other Bodies	2	1	6
	56	75	141

Source: Financial Analysis and Supervision Unit

Table 5: Request for Information received by FASU from 2018 – 2020

	Year 2018	Year 2019	Year 2020
Request for information received from LEA and domestic partner agencies	23	26	24

Source: Financial Analysis and Supervision Unit

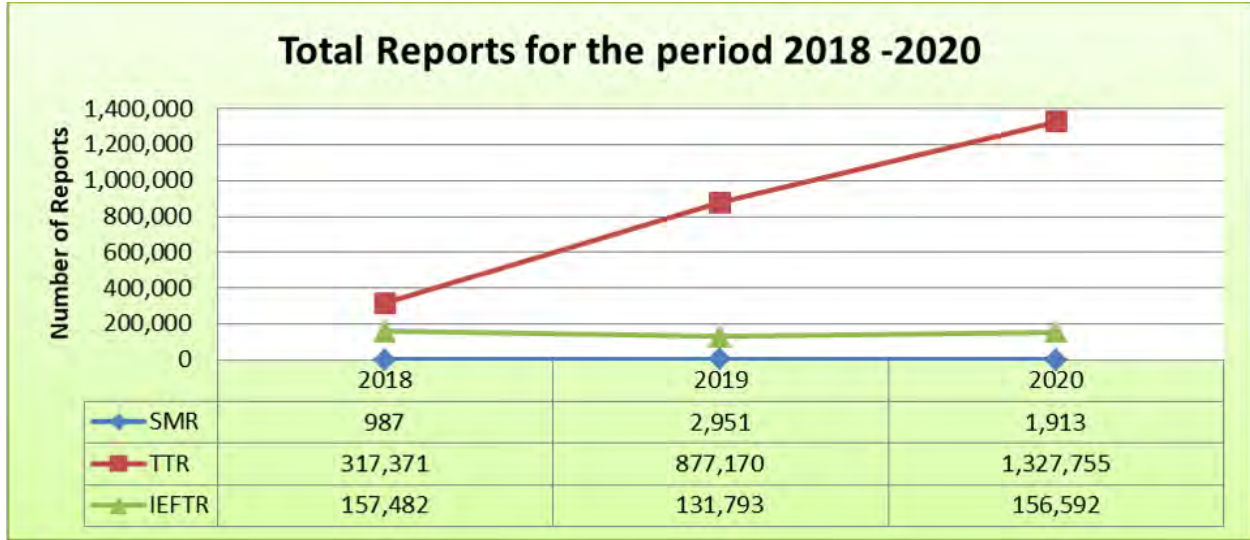
Most of the request for information received were processed by FASU and assistance provided to assist with investigations conducted by the LEAs. The existence of FASU is slowly gaining recognition in country as the central agency for information and intelligence gathering. FASU anticipates and increased reliance on it for investigative and regulatory support to counter financial crimes.

5.0 REPORTING OBLIGATIONS

FASU is mandated by the AML/CTF Act to receive reports from reporting entities which includes suspicious matter reports (SMRs), threshold transaction reports (TTRs) and international electronic funds transfer reports (IEFTRs). This function is as per the FATF Recommendation 29 relating to FIUs and Recommendation 20 relating to reporting of suspicious transactions.

Most of the reports received were from the banking sector. FASU has also observed a steady increase in the number of reports it received from other FIs and DNFBPs during the year. The reporting reflects the outreach and awareness to the reporting entities of their reporting obligations.

Figure 2: Below shows the summary of reports received in the last three years (2018 – 2020)



Source: Financial Analysis and Supervision Unit

The number of IEFTRs and TTRs have reportedly increased in the current reporting year compared to the previous year. SMRs have declined due to increased quality reporting resulting from more awareness, feedback and information sessions.

It is encouraging to note that amongst the SMRs received, there were 7 SMRs from DNFBPs mostly in the car dealers sector during the year.

With regard to SWIFT Sanction Screening Tool, this function has been transferred to BPNG’s newly established Payment System Oversight Department.

6.0 SUPERVISION & COMPLIANCE

6.1 AML/CTF Supervision & Compliance

FASU is mandated to conduct onsite inspections on registered reporting entities categorized as FIs and DNFBPs under the AML/CTF Act. Due to the Covid-19 restrictions, there was only one (1) onsite inspection conducted for a financial institution in 2020. However, FASU continued its offsite supervision efforts through desktop reviews of the responses received with regard to the onsite findings that were conducted on two (2) commercial banks, two (2) non-bank licensed finance institutions, four (4) money changers, four (4) motor vehicle dealers and one (1) law firm. Further, FASU supported Bank of PNG in relation to one (1) fit and proper assessment of an officer occupying an AML related role in a FI.

6.1.1 Onsite

Table 6: Onsite inspection FASU conducted in 2020

Onsite Inspection	Reporting Entity	Date
Application of CDD by Moni Plus	Heduru Moni Limited (Trading as Moni Plus)	9-11 September 2020

Source: Financial Analysis and Supervision Unit

6.1.2 Offsite

Table 7: Offsite assessment by FASU

Offsite Inspection/Desktop Reviews	Reporting Entity	Date
Review of Pacific Legal Group response to full scope onsite review of May 2019	Pacific Legal Group	February 2020
Review Ela Motors response to full scope onsite review of December 2019	Toyota Tsusho (PNG) Limited (trading as Ela Motors)	April 2020
Review of response to full scope onsite report of December 2019	2 Fast Motors Limited	April 2020
Review of responses to full scope report of December 2019	PNG Associated Industries Limited (trading as Niu Ford and PNG Motors)	April 2020
Review of response to ECDD onsite report of October 2019	Bank South Pacific (BSP) Limited	June 2020
Review of full scope onsite report of July and August 2019	Westpac Bank (PNG) Limited	April 2020

Source: Financial Analysis and Supervision Unit

6.1.3 Remedial Actions taken by Reporting Entities

As a result of 18 onsite inspections undertaken; including branch visits out of Port Moresby since 2018 on FIs and DNFBPs, there has been an improvement in the development of risk based AML/CTF programs, particularly for customer due diligence procedures, transaction monitoring, staffing and reporting of suspicious matter reporting to FASU.

During the year, two (2) FIs self-reported to FASU for non-compliance breaches. FASU is working closely with the two FIs to rectify and resolve the issues reported.

The reporting entities that are captured by FASU’s supervisory mandate for the purposes of the AML/CTF Act includes the FIs and DNFBPs. The supervision of these reporting entities is required by the FATF Recommendations 26 and 28 in relation to supervision of FIs and DNFBPs which is embedded in Section 86 of the AML/CTF Act.

Table 8, gives a summary of the types of reporting entities captured in the AML/CTF Act.

Table 8: Reporting Entities covered by the AML/CTF Act

Financial Institutions		DNFBPs	
i	Banks	i	Real Estate Agents
ii	Micro banks & Microfinance Institutions	ii	Motor Vehicle Dealers
iii	Savings and Loans Societies	iii	Trust or Company Service Providers
iv	Foreign Subsidiaries of Banks	iv	A Lawyer
v	Credit Institutions Independent	v	Notary Public or Other Legal Profession
vi	Insurance Companies, Brokers & Underwriters	vi	An Accountant
vii	Investment Banks and Firms	vii	Precious Stones/Metals Dealers
viii	Mortgage Companies	viii	Casino
ix	Superannuation Funds		
x	FX Bureau or Money Changers		

Source: Financial Analysis and Supervision Unit

7.0 POLICY DEVELOPMENT AND COORDINATION

7.1 Policy Development & Coordination

Development of policies and rules are necessary for implementing the AML/CTF Act 2015. Coordinating domestic and international engagement is also essential to ensure effective implementation of international standards are observed in country.

7.1.1 Establishment of Policy Development and Coordination Division

The establishment of FASUs approved structure comprised of Intelligence Management Division (IMD), Supervision and Compliance Division (SCD) and Policy Development and Coordination Division (PDCD). Initially an Analyst was recruited and then the Manager was appointed to fully operationalise the Division in July 2020. A Senior Analyst was later appointed in October 2020 to complete the recruitment for this Division as per the approved structure.

7.1.2 Development of Compliance Rules, Directives and Guidance

Compliance rules, directives and guidance are essential to fill in the gaps that may be identified to operationalise the functions of FASU pursuant to the AML/CTF Act 2015. A Pre-Mutual Evaluation exercise was conducted for PNG which required compliance rules and guidance to be issued to the reporting entities.

FASU has been working closely with AUSTRAC and AMLAT through the technical assistance program to develop compliance rules and guidance to be issued to the industry. DJAG is working closely with FASU on the domestic front to ensure all legal requirements are met in consultation with Australian counterparts.

³Reporting entities refers to FIs and DNFBPs that are defined in Section 5 of the AML/CTF Act.

7.1.3 Proposed Amendment to the AML/CTF Act 2015

Through the Pre-Mutual Evaluation exercise, three amendments will need to be done in the current AML/CTF Act. This includes amendment to Section 39 where threshold to IEFTR will be removed to allow all transactions to be reported to FASU, Section 41 where suspicious matters are reported within 3 days instead of 5 days and a new section in virtual asset service providers (VASPs).

7.1.4 Registration of Reporting Entities

Registration of reporting entities³ required under Section 57 of the AML/CTF Act is ongoing. Certificates were issued to reporting entities that meet the requirements of being categorised as FIs and DNFBPs to be registered with FASU.

As at 31 December 2020, the current registered entities of FIs and DNFBPs is 146. This means that these registered entities are required to meet all the AML/CTF requirements as FI and DNFBP pursuant to the AML/CTF Act.

Table 9 below, gives a summary of the FIs and DNFBPs that have been assessed, met all the requirements and are registered with FASU as at 31 December 2020.

Table 9: Number of Financial Institutions and DNFBPs Registered with FASU as at 31 December 2020

Financial Institutions	Tally	DNFBPs	Tally
Banks & Microbanks	8	Accounting Firms	22
Finance Companies	11	Dealers in Precious Stones/Metals	4
Savings & Loan Societies	10	Motor Vehicle Dealers	4
Superannuation Sector	8	Law firms	36
Securities Sector	2	Real Estate	13
Money Changers	5		
Life Insurance Sector	3		
General Insurance Sector	20		
TOTAL	67	TOTAL	79

Source: Financial Analysis and Supervision Unit

7.2 Guidance and Compliance Rule

New AML/CTF Compliance Rules and Guidance to the industry are required as a result of the initial recommendations from the Pre-ME review conducted in November 2019 and the report finalised in August 2020. These documents will assist the reporting entities understand their obligations and comply under the AML/CTF legislations and compliance rules.

This initiative is in line with FATF Recommendation 34 relating to guidance and feedback. DJAG and FASU has been progressing the matter with the assistance from AGD provided through the technical assistance under the SPEAR programme. Upon completion, the documents will undergo consultations from the industry.

8.0 NATIONAL RISK ASSESSMENT ON AML/CTF

8.1 Risk Assessments

The FATF Recommendation 1 requires countries to identify, assess and understand the money laundering and terrorist financing risks in the country and should take actions to assess the risks, and apply resources to ensure the risks are mitigated effectively.

PNG has completed its first National Risk Assessment (NRA) of 2017 and has currently undertaken a few risk assessments in 2020 which will likely be published in 2021 that originated from the first NRA.

Below are some of the risk assessments undertaken;

Forestry	Sector Risk Assessment supported by UNODC	Completed and pending PNGFA to clear before publishing the report.
VASP	Financial Institutions whether they are also regarded as VASPs	Assessment completed and report in progress
NPO	Non-Profit Sector risk assessment supported though AUSAID	Report has been drafted and is under review

Source: Financial Analysis and Supervision Unit

9.0 NATIONAL COORDINATING COMMITTEE

9.1 National Coordinating Committee on AML/CTF

FASU and Legal Policy and Governance (LPG) Branch of DJAG are the secretariat to PNG's National Coordinating Committee (NCC) on AML/CTF that coordinates most of the meetings and technical working group (TWG) meetings.

The NCC comprises of 21 key agencies that includes the BPNG and DJAG as co-chairs and 3 observer agencies. The establishment of the NCC is in line with FATF Recommendation 2 relating to national cooperation and coordination.

The challenges of Covid-19 has been an impediment to most of the activities in 2020. NCC has met on three occasions during the year, which includes one special meeting.

Table 10: NCC Meetings in 2020

No.	Date	Meeting	Venue
1	12 March 2020	NCC Meeting No.1/2020	Sir Manasupe House
2	25 August 2020	NCC Special Meeting	Grand Papua Hotel
3	8 October 2020	NCC Meeting No.2/2020	Grand Papua Hotel

Source: Financial Analysis and Supervision Unit

The 21 state agencies that formed the NCC on AML/CTF are;

No.	Agency	No.	Agency
1.	Bank of Papua New Guinea	12.	Department of Foreign Affairs & Trade
2.	Department of Justice & Attorney General	13.	National Gaming & Control Board
3.	Investment Promotion Authority	14.	Office of the Insurance Commissioner
4.	PNG Securities Commission	15.	National Intelligence Organisation
5.	Department of Prime Minister & NEC	16.	National Fisheries Authority
6.	Department of Finance	17.	PNG Forest Authority
7.	Department of Treasury	18.	The Ombudsman Commission
8.	Office of the Public Prosecutor	19.	National Maritime Safety Authority
9.	Royal PNG Constabulary	20.	PNG National Narcotics Bureau
10.	Internal Revenue Commission	21.	PNG Customs Service
11.	PNG Immigration & Citizenship Authority		

9.2 Initiatives undertaken

The TWG met only once for the Pre-ME workshop from 18 – 21 February 2020 to present the results of the Pre-ME exercise of November 2019. The TWG has not met after this workshop due to subsequent lockdowns which disrupted most of its activities.

Over the duration of the four days, the first two days of the workshop targeted regulatory agencies and the final two days focused on FASU to ensure less number of people attend with all COVID protocols being observed during the workshop duration.

Table 11: Pre-Mutual Evaluation Workshop from 18 – 21 February 2020

No.	Date	Agencies in Attendance
1	18 February 2020	FASU and DJAG
2	19 February 2020	BPNG, PNG Customs, IRC, OPP, IPA, SECOM & DJAG
3	20 February 2020	FASU
4	21 February 2020	FASU

Source: Financial Analysis and Supervision Unit

The Secretariat Team managed to arrange one-on-one sessions with a few agencies and meet with them during the year as a refresher for TWG members in the respective agencies as well as introduction to new members.

The focus was based on the respective agencies deliverables specified in the 2017 – 2022 NSP and ME preparations.

The Secretariat Team met 5 agencies during the year despite the challenges of Covid-19 protocols. Social distancing, facemasks and hand sanitising were also required to be observed on such meetings.

Table 12: One-on-One Meetings in 2020

No.	Date	Meeting	Venue
1	24 July 2020	Department of Treasury	DoT Conference Room
2	24 July 2020	Securities Commission of PNG	IPA Conference Room
3	24 July 2020	Investment Promotion Authority	IPA Conference Room
4	27 July 2020	PNG Customs Services	PNGCS Conference Room
5	1 October 2020	National Maritime Safety Authority	NMSA Conference Room

Source: Financial Analysis and Supervision Unit

10.0 INTERNATIONAL OBLIGATIONS

10.1 Mutual Evaluation

As part of PNG’s international obligations to the APG as a member state, PNG is due to be subjected to its FATF ME in November 2021 in which PNG will be assessed on its technical compliance (TC) with the FATF’s 40 recommendations and its 11 IOs for its effectiveness on each of these IOs.

Preparations are underway at the NCC level to prepare PNG for the ME review. However, given that PNG will be conducting its National General Elections (NGE) in 2022, the NCC will request APG to defer its ME to a later date after the elections and the formation of a new government.

All the ministers and politicians will be in their districts and towns campaigning for the election and will not be available to meet APG/FATF delegates if the ME review will proceed as scheduled.

11.0 COOPERATION – DOMESTIC AND INTERNATIONAL

11.1 Domestic and International Co-operation

To strengthen international and domestic information sharing arrangements with other international counterpart Financial Intelligence Unit (FIUs) and domestic agencies, FASU has signed three (3) domestic MOUs only in 2020. To date, FASU has signed 29 MOUs; 15 international and 14 domestic. There were no international MOUs signed in 2020 due to Covid-19 restrictions. However, there are a few countries in dialogue with FASU to sign MOUs which will occur when the restrictions are lifted in the future.

Despite the Covid-19 pandemic challenges, FASU continues to share information with domestic agencies and internationally via the Egmont Secure Web (ESW) given its Egmont Group of FIU membership.

This is consistent with the application of FATF Recommendation 2, in strengthening national and international coordination and cooperation. Discussions continue with other domestic state agencies and international counter-parts on matters of mutual interest.

11.1.1 Domestic Co-operation

FASU continued to participate in domestic engagements during the year. Below are some of the workshops and meetings held with domestic partner agencies.

Table 13: Domestic Engagements in Training/Workshops/Conferences

Dates/Venues	Trainings/Workshops/Conferences
17th - 19th March 2020: Loloata Private Resort, Port Moresby	FASU presented on AML/CTF mandates at the National Coordination Mechanism (Law and Justice Sector) retreat hosted by DJAG.
Quarterly Meetings, FASU Office	4 x tripartite meetings between FASU, National Fraud and Anti-Corruption Directorate (NFACD) and Office of Public Prosecutor (OPP) were held to discuss ways to improve current workflows between the three agencies as well as how to increase the number of investigations and successful prosecution.
22nd September 2020, Lamana Hotel, Port Moresby	TIPNG National Integrity Systems Assessment (NISA) workshop for promoting Anti-Corruption and Integrity Strategies.
15th December 2020, FASU Office, Port Moresby	One-on-one meeting between TIPNG and FASU to assess the integrity of institutions through questionnaires and interviews. FASU participated and assisted TIPNG to reach out to other State agencies that are members of the NCC.

Source: Financial Analysis and Supervision Unit

Information dissemination and requests to and from domestic agencies are ongoing to demonstrate domestic cooperation as recorded in Table 13 above.



11.1.2 International Co-operation

Despite the challenges posed by Covid-19, FASU continued to engage through virtual trainings and forums internationally to keep abreast with the evolving changes within the AML/CTF space.

Below are some initiatives FASU has undertaken with international partners and counterparts during the year.

Table 14: International Engagements in Trainings/Workshops/Conferences

Dates/Venues	Trainings/Workshops/Conferences
27 th – 30 th January 2020, Mauritius	FASU’s senior management attended the Egmont-Heads of FIU (HOFIU) meeting for all Egmont member countries.
29 th January, 24 th June and 8 th September 2020 (Virtual)	FASU attended the Pacific AML/CTF Supervisors Forum on three occasions to foster information sharing and facilitate networking among AML/CTF Supervisors in the Pacific which is led by the Reserve Bank of New Zealand (RBNZ).
1 st - 5 th July 2020, Port Moresby (Virtual)	FASU participated in the Global Tax Forum Initiative (GTFI) assessment regarding tax transparency and the exchange of information request led by the IRC. PNG’s GTFI Assessment report was published in September 2020. PNG was rated Largely Compliant.
29 th October 2020, Port Moresby (Virtual)	FASU in partnership with UNODC delivered a virtual training (webinar) to TIPNG, TI Solomon Islands and TI Vanuatu on “Beneficial Ownership and Illicit Financial Flows in the Forestry Sector”.
9 th – 18 th November 2020, Port Moresby	Investigative techniques for Cash Economy, Virtual Program, Japan, hosted by OECD, Asia Pacific Academy for Tax and Financial Crimes Investigation.

Source: Financial Analysis and Supervision Unit

Information disseminations and requests to and from foreign counterparts are ongoing to demonstrate international cooperation as recorded in Table 14 above.

11.2 Memorandum of Understanding (MOU)

Section 97 of the AML/CTF Act enables FASU to enter into an agreement to share confidential information with foreign counterparts. Since FASU’s inception in 2016, FASU has signed MOUs with 14 counterpart FIUs. In 2020, FASU discussed several MOUs with counterpart FIUs, however; due to COVID restrictions, there were no signed MOU during the year. FASU continues to pursue more MOUs with other FIUs within the Asia-Pacific region and the world.

Table 15: International MOU’s Signed in 2017 - 2020

No.	Financial Intelligence Unit	Date Signed
1	The Anti-Money Laundering Council of the Philippines (AMLC)	13 th November 2019
2	The Anti-Money laundering Division, Investigation Bureau, ministry of Justice, Republic of China (TAIWAN)	20 th August 2019
3	The Financial Intelligence Unit of Sri Lanka	19 th August 2019
4	Malaysia – Bank Negara Malaysia	18 th August 2019
5	Superintendency of Banking, Insurance, and Private Pension Funds Administrators of Peru (SBS) for the Financial intelligence Unit of Peru (UIF-PERU)	28 th July 2019
6	The Unidad De Análisis Financiero of the Republic of Chile	3 rd July 2019
7	The Financial Intelligence Unit of the Democratic Republic of timor leste	24 th July 2018
8	Cook Islands Financial Intelligence Unit (CIFIU)	24 th July 2018
9	Solomon Islands Financial Intelligence Unit (SIFIU)	24 th July 2018
10	Samoa Financial Intelligence Unit (SFIU)	24 th July 2018
11	Fiji financial Intelligence Unit (Fiji FIU)	24 th January 2018
12	Bangladesh Financial Intelligence Unit (BFIU)	19 th July 2017
13	Japan Financial Intelligence Centre (JAFIC)	18 th July 2017
14	Australian Transaction Reports and Analysis Centre (AUSTRAC)	4 th May 2017

Source: Financial Analysis and Supervision Unit

Domestically to date, FASU has signed 15 MOUs with domestic partner agencies in accordance with Section 80 (2) of the AML/CTF Act. In 2020, FASU signed 3 MOUs with domestic partner agencies to enhance cooperation and collaboration in terms of information sharing to investigate ML, TF and other predicate offences.

Table 16: Domestic MOU’s Signed from 2017 - 2020

No.	Name of Agency	Date Signed
1	PNG Forest Authority (PNGFA)	27 th October 2020
2	National Gaming Control Board (NGCB)	6 th October 2020
3	National Maritime Safety Authority (NMSA)	8 th April 2020
4	The Office of the Insurance Commissioner (OIC)	10 th December 2019
5	Office Of The Public Prosecutor (OPP)	23 rd May 2019
6	The National Narcotics Bureau of PNG (NNB)	21 st March 2019
7	Ombudsman Commission of PNG (OC)	28 th February 2019
8	Royal Papua New Guinea Constabulary (RPNGC)	15 th February 2019
9	PNG Immigration and Citizenship Authority (ICA)	25 th October 2018
10	PNG National Fisheries Authority (NFA)	29 th August 2018
11	PNG Customs Services (CS)	13 th November 2017
12	Internal Revenue Commission (IRC)	28 th September 2017
13	PNG Investment Promotion Authority (IPA)	11 th July 2017
14	PNG Securities Commission (SC)	11 th July 2017
15	National Intelligence Organisation (NIO)	25 th May 2017

Source: Financial Analysis and Supervision Unit

11.2.1 Secondment Arrangement

Under the existing MOU with RPNGC, an officer from the National Fraud and Anti-Corruption Directorate (NFACD) was seconded to FASU in July 2020 initially for 3 months but which was later extended by 12 months, ending in July 2021.

12.0 CAPACITY BUILDING INITIATIVES

12.1 Capacity building

The Australian Transaction Reports and Analysis Centre (AUSTRAC), Australia Attorney Generals Department (AGD), United Nations Office on Drugs and Crime (UNODC), INTERPOL, United Nations Development Programmes (UNDP) and Asia-Pacific Group on Money Laundering (APG) continue to provide capacity building programs to FASU and other state agencies in PNG in 2020. Most of these programs were hosted through virtual arrangements due to the international travel restrictions. Domestic trainings were conducted in Port Moresby through virtual training arrangements as well as face-to-face with strict Covid-19 protocols.

Dates/Venues	Trainings/Workshops/Conferences	Attendance
3 rd - 6 th March 2020, Kokopo, East New Britain Province	Workshop on “Financial Disruption of Forestry Crimes” targeted at participants in decision-making roles: Hosted by UNODC.	<ul style="list-style-type: none"> • 5 FASU officers • 2 OPP officers • 2 NFACD officers • 2 ICA officers • 3 PNGFA officers • 2 IRC Officers • 3 PNG Customs officers • 5 UNODC officers, • 2 INTERPOL officers.
22 nd – 26 th June 2020, Port Moresby	The analyst exchange program (AEP) between AUSTRAC and FASU that commenced in May 2018 and continued virtually in 2020.	<ul style="list-style-type: none"> • 2 FASU officers, and • 1 AUSTRAC officer
20 th - 21 st July 2020, FASU Conference Room, Port Moresby	In-house soft skills training on “Effective Business Writing” conducted by Datec Learning Centre.	<ul style="list-style-type: none"> • 6 FASU officers
14 th September 2020, Port Moresby (Virtual)	The Impact of COVID-19 on ML investigations, prosecutions, and other judicial processes hosted by FATF.	<ul style="list-style-type: none"> • 1 FASU officer
23 rd - 25 th September 2020, Port Moresby (Virtual)	Virtual training conducted by Global Forum and Asian Development Bank (ADB) on the availability of beneficial ownership information in Asia and the Pacific.	<ul style="list-style-type: none"> • 3 FASU officers • IRC organised and attended as well
9 th – 18 th November 2020, Port Moresby (Virtual)	A virtual training conducted by Organisation of Economic Co-operation and Development (OECD) Asia-Pacific Academy for Tax and Financial Crime Investigation on Investigative Techniques for the Cash Economy.	<ul style="list-style-type: none"> • 3 FASU officers and • 2 IRC officers
23 rd – 29 th November 2020, Driftwood Alotau, Milne Bay Province	Outbound Leadership & Management Program	<ul style="list-style-type: none"> • 2 FASU Managers

Source: Financial Analysis and Supervision Unit

12.2 Technical Assistance

Technical assistance and training providers for FASU and PNG are from AUSAID through the SPEAR Program, UNODC, GPML and INTERPOL.

12.2.1 AUSAID SPEAR Program

Technical assistance from AUSTRAC in collaboration with Department of Justice and Attorney General (DJAG) and Anti-Money Laundering Assistance Team (AMLAT) of AGD is ongoing under the DFAT funded SPEAR program on improving PNG's AML/CTF framework.

FASU has commenced drafting additional Compliance Rules and draft amendments to the AML/CTF Act as of December 2020 with assistance from DJAG, AMLAT and AUSTRAC to address some of the technical deficiencies identified in the Pre-ME assessment report and new FATF recommendations relating to VASPs.

Development of AML/CTF working tools for FASU continues under the second phase of the Australia Aid-Technical Assistance (AUS-Aid TA) program.

12.2.2 United Nations Office of Drugs and Crime

The IBM Notebook Analytical Tool is a visual analytical software tool from IBM that is used for data analysis and investigation, which FASU sought funding from UNODC to purchase as part of FASU's business improvement process (BIP). This tool was made available by the United Nations Office of Drugs and Crime (UNODC) under the Technical Assistance Program.

BPNG's IT Governance Committee gave its approval on the 13 August 2020 for installation of the IBM Notebook. The first series of virtual trainings were conducted by UNODC from 11th - 12th November 2020, focusing on "Database design". FASU and the ICTD officers attended this training. The second and third phase training will continue in 2021 with iBase user training and Analyst Notebook User Training.

12.2.3 Global Programme against Money Laundering

FASU met with officials from UNODC Global Programme against Money Laundering (GPML). GPML visited FASU from 27th – 30th January 2020 in Port Moresby to introduce the activities that it anticipated to assist PNG in enhancing the anti-money laundering frameworks in relation to illegal deforestation and capacity building support.

12.2.4 INTERPOL

There was no training conducted in 2020 due to the Covid-19 Pandemic situation. However, INTERPOL is working with FASU and ICTD to ensure access to INTERPOL database i24/7 is granted to FASU.

It is part of INTERPOL's commitment to provide technical and investigative support to PNG authorities on investigating financial crimes and financial flows in the forestry sector.

The access to the i24/7 database will provide FASU with a read-only access to INTERPOL's database for international persons of interest (POI) and Entities of Interest (EOI). It is an important enhancement to FASU's capabilities when conducting searches for names, passport details and records of international POIs and EOIs that INTERPOL may have placed on alerts.

12.3 Business Improvement Process (BIP)

The FASU's activities that are regarded as BIP for 2020 to improve the work processes are provided in brief for the purpose of this Annual report.

12.3.1 Viper/Taipan database

In conjunction with the Payment Systems Department (PSD) and the ICTD, FASU's Viper/Taipan Database capabilities has been enhanced by the file ingestion function via the Kina Automated Transaction System (KATS) link. Internal testing has been completed in November 2020, with the external testing phase with the commercial banks to be completed in the 1st quarter of 2021. This will improve turnaround time for receipt of financial transactions reports, analysis and dissemination.

Through UNODC Technical Assistance Program for PNG, FASU secured and installed the IBM Notebook Analytical Tool. A visual analytical software tool that improves the quality of financial intelligence analysis capabilities.

These initiatives are consistent with the obligation of Section 77 of the AML/CTF Act 2015.

12.3.2 Business Improvement Process (BIP) 151: Mutual Evaluation (ME)

FASU's EXCO approved BIP 151: ME, in February 2020 which is aimed at assisting PNG's preparations towards its ME against the FATF standards.

Priority deliverables include, amongst others, an increase in strategic analysis disseminations, financial crime typologies, increased supervision efforts on FI and DNFBPs, specific sector risk assessments, use of financial intelligence by LEAs, to investigate and prosecute ML/TF offences.

The 2019 Pre-ME report identified that PNG would be referred to the "greylist" due to poor ratings of technical compliance against the FATF 40 Recommendations and effectiveness against the FATFs 11 Immediate Outcomes (IOs). The ineffectiveness highlighted in the Pre-ME report are a result of the lack of implementation of the action items contained in the NSP 2017 - 2022.

FASU's activities highlighted in its Business As Usual and BIP are aligned to the findings of PNG's 2019 Pre-ME findings.

12.3.3 Records Management and Filing System

The FASU Records Management (RM) working team's objective is to standardize and update the FASU records both physical and electronic.

The Bank's Records Management Team was initially engaged to the FASU office in March 2020 with the objective to assist standardize and update the office physical records over three (3) months. Unfortunately, the planned schedule was affected due to the Covid-19 pandemic.

With limited scheduled working days allocated to all staff, the FASU records management working team managed to standardize and update most of the physical records identified and appropriately stored away by year-end December 2020 under Phase 1.

Phase 2 of compiling the files into electronic work is scheduled for 2021.

13.0 AWARENESS AND EDUCATION

13.1 AML/CTF Awareness

Despite the Covid-19 pandemic, the awareness and education programs conducted by FASU included the following:

(1)Dates/Venues	Trainings/Workshops/Conferences	Attendance
17 th – 21 st February 2020, Vanimo, West Sepik Province	BPNG’s Awareness: BPNG functions, illegal money schemes, cross-border movement of cash gold and other valuables smuggling. The awareness covered 2 secondary schools, 2 colleges and the general public.	Three (3) FASU staff participated with other teams in BPNG.
11 th – 17 th October 2020, Wewak and Maprik, (12), East Sepik Province	FIs (6), LEAs (10), Provincial Government Local Level Government (LLG) Presidents (7), Business Communities (11), public servants and general public (70) attended the first sessions on AML/CTF reforms & AML/CTF Obligations.	FASU and 131 participants.
22 nd October 2020, Pacific MMI Board Room, Port Moresby	AML/CFT obligations under the AML/CFT Act as requested by senior management and staff that were present to attend.	FASU/ 8 participants attended
5 th November 2020, Crown Hotel, Port Moresby	Sam Kiak Tubangliu (SKT) Accountants invited FASU to conduct AML/CTF obligations awareness to its staff. Its Kokopo branch participated virtually.	FASU and the entire SKT staff and management.
27 th & 28 th November 2020, Kavieng, New Ireland Province	FASU/BPNG &CEFI Mini-Financial Inclusion Exposition. FASU visited the Police Station (1), FIs (12) including provincial government and NBC Radio for talk back. Based on pamphlets and information provided; 1,011 information was disseminated to an average of 400 people	FASU and the Bank (all Groups), including FIs
7 th – 13 th December 2020, Wewak & Maprik, East Sepik Province	FASU, BPNG & CEFI coordinated a Mini-Financial Inclusion and awareness in Maprik and Wewak: East Sepik Agricultural Show. Sepik Central FM in Maprik and NBC in Wewak were also utilised to talk about AML/CTF issues and other Bank’s functions. Level Government, Police, Financial Institutions and Business Communities were present and represented during the awareness sessions.	FASU and the Bank (all Groups) Total attendance is 935 (based on handout issued)

Source: Financial Analysis and Supervision Unit

14.0 ANALYSIS OF CURRENT MONEY LAUNDERING AND TERRORIST FINANCING TRENDS

FASU is required, by Section 75 (2) (c) of the AML/CTF Act, to include, in the Annual Report, an analysis of current money laundering and terrorist financing trends.

While such an analysis is undoubtedly useful for domestic entities that are engaged in the fight against money laundering, FASU has no means of ensuring that the FASU Annual Report will not fall into the hands of money launderers.

The public availability of the annual reports generates the risk of teaching money launderers how to launder successfully as well as teaching them about the capabilities and weaknesses of domestic and international AML/CTF authorities.

Consequently, the information contained in this FASU Annual report is only of a general nature. It should not be assumed that all methods and trends known to FASU are detailed herein.

14.1 Domestic and International Trends in Money Laundering

Domestically and internationally, commercial banks remain the highest money-laundering and terrorist-financing risk. This appears to not merely be a result of the fact that banks are conduits for funds from a wide variety of sources but rather the fact that a significant percentage of banks actively court 'grey-money' – that is, money that cannot be easily linked to crime but for which there is no apparent, easily identifiable legal source.

Money laundering continues to generate significant profits for those that are providing money-laundering services⁴ and COVID 19 appears to have had little significant impact on the manner in which money is laundered either in PNG or internationally⁵.

In addition banks are known to be deliberately employing measures to ensure that they don't ask difficult questions of their 'high-profit' customers, or request documents that such customers might not be able to produce – such as contracts or proof-of-source for funds. Some banks have also been identified as providing deliberately misleading information to regulators about their actual AML/CTF activities.

The risks presented by banks are elevated even further for banks that have an expressed official AML/CTF position of "we don't have to ensure that our customers' business is not illegal".

In 2020 globally, banks were fined in excess of USD 14 billion for AML/CTF violations, data leaks and other offences⁶.

Generally, banks operating in jurisdictions that have levied fines appear to present a slightly lower risk than those that operate in jurisdictions where no fines have been applied.

The other major money laundering methods include Trade-Based Money Laundering and the use of businesses and secrecy-haven products.

Virtual assets and crypto-currencies currently remain a minor method of money laundering – albeit one that receives significant media attention- due to their instability and difficulties turning virtual assets into fiat currencies and tangible, usable assets such as real estate and motor vehicles.

Terrorist financing methods appear to have evolved little, over the past year with the main methods being TBML and the movement of cash and other valuables being the major methods seen globally.

⁴Teichmann, F. Recent trends in money laundering [Recent trends in money laundering | SpringerLink](#)

⁵Documents – Financial Action Task Force (FATF) (fatf-gafi.org)

⁶The Bank Fines 2020 Report <https://finbold.com/bank-fines-2020/>

APPENDIX A: Section 75 of the AML/CTF Act 2015

FASU to produce Annual Report:

- (1) FASU must produce and submit an annual report by 30 March of each year to the Board of the Bank of Papua New Guinea.
- (2) An annual report must include:
 - (a) a summary of the activities of FASU;
 - (b) a summary of reports received by FASU; and
 - (c) an analysis of current money laundering and terrorist financing trends.
- (3) FASU must, as soon as is reasonably practicable after the Board of the Bank of Papua New Guinea has considered the annual report:
 - (a) provide a copy of the report to the Departmental Head of the department responsible for national justice administration; and
 - (b) make a copy of the report publicly available.
- (4) The publically available report under paragraph (3)(b) must not contain information that refers to or otherwise enables the identification of any particular person.

APPENDIX B: Summary of FATF 40 Recommendations

SUMMARY OF FATF 40 RECOMMENDATIONS				
<p>1. Assessing risks and applying a risk-based approach</p> <p>Identify, assess, and mitigate the ML & TF risks At national, supervisory and industry level.</p>	<p>2. National cooperation and coordination</p> <p>Enable domestic cooperation: policy, FIU, law enforcement and supervisors.</p>	<p>3. ML offence</p> <p>Apply to all serious offences and widest range of predicate offences. Core</p>	<p>4. Confiscations and provisional measures</p> <p>Adequate powers for LEA to confiscate proceeds of crime.</p> <p>Include property used, or intended to be used. Key</p>	<p>5. Terrorist financing offence</p> <p>Include terror acts, financing and organisations. Core</p>
<p>6. Targeted financial sanctions related to terrorism and terrorist financing (UN sanctions and autonomous sanctions)</p> <p>Provide guidance for FIs & DNFBPs. Key</p>	<p>7. Targeted financial sanctions related to proliferation</p> <p>Provide guidance for FIs & DNFBPs.</p>	<p>8. Non-profit organisations</p> <p>Monitor to prevent misuse by terrorist financing.</p>	<p>9. Financial institution secrecy laws</p> <p>Require to disclose relevant information to LEA. Key</p>	<p>10. Customer due diligence</p> <p>KYC on account opening, on large occasional transactions; suspect transactions or ID; Identify beneficial owner; on-going due diligence. Core</p>
<p>11. Record keeping</p> <p>Customer identification. Should enable reconstruction of transactions. Keep after account is closed. Core</p>	<p>12. Politically exposed persons</p> <p>System to ID PEPs; senior management approve new accounts; establish source of wealth and funds; on-going monitoring.</p>	<p>13. Correspondent banking</p> <p>Assess institution reputation, supervision and AML/CFT controls; senior management approval; CDD for 'payable through accounts'.</p>	<p>14. AML requirements for money/value transfer services</p> <p>Register or licence MVTS and regulate.</p>	<p>15. New technologies</p> <p>E.g. Technology that might favour anonymity – include CDD measures for non face-to-face business.</p>
<p>16. Wire transfers</p> <p>Originator name, address & account number; Beneficiaries name, address etc.</p>	<p>17. Reliance on third parties</p> <p>Must obtain copy of CDD info immediately. 3rd party must be supervised and regulated.</p>	<p>18. Internal controls and foreign branches and subsidiaries</p> <p>Implement AML/CFT programs & apply to foreign branches and subsidiaries.</p>	<p>19. Higher-risk countries</p> <p>Special attention to transactions from countries not applying FATF 40 Recommendations. Can apply FATF countermeasures.</p>	<p>20. Reporting of suspicious transactions</p> <p>Report if reasonable grounds to suspect funds are proceeds of crime. Core</p>

<p>21. Tipping-off and confidentiality</p> <p>Banks and staff protected from criminal and civil action if report in good faith. Don't tip off STR.</p>	<p>22. DNFBPs: CDD</p> <p>Casinos, real estate, precious metals, lawyers & accountants.</p> <p>Rules set out in guidelines and legislation.</p>	<p>23. DNFBPs: other measures</p> <p>Apply Recommendations 18-21. Report STR when managing assets for client. Professional privilege exempt.</p>	<p>24. Transparency and beneficial ownership of legal persons</p> <p>LEA and FI access to registry to check control of legal persons.</p>	<p>25. Transparency and beneficial ownership of Legal arrangements</p> <p>FI's and LEA able to check settler, trustee and beneficiary info on central registry.</p>
<p>26. Regulation, and supervision of financial institutions</p> <p>Prevent criminals from controlling FIs, and FIs to be licensed and regulated. Key</p>	<p>27. Powers of supervisors</p> <p>Supervisors to have power to monitor, ensure compliance and issue penalties to FIs.</p>	<p>28. Regulation and supervision of DNFBPs</p> <p>Casinos and licensed & prevent criminals controlling or management interest. Other DNFBP supervised by a competent authority.</p>	<p>29. Financial intelligence units</p> <p>Established, role to collect STRs, analyse and disseminate to LEA. Key</p>	<p>30. Responsibilities of law enforcement and investigative authorities</p> <p>Assign responsibility for AML/CFT & develop special investigation techniques (e.g. undercover).</p>
<p>31. Powers of law enforcement and investigative authorities</p> <p>Investigators to have power to obtain documents & search persons & premises.</p>	<p>32. Cash couriers</p> <p>Develop declaration system and power to restrain currency.</p>	<p>33. Statistics</p> <p>Collect and analyse statistics to measure AML/CFT efficiency and effectiveness.</p>	<p>34. Guidance and feedback</p> <p>Established guidelines and provide feedback to FIs for AML/CFT – especially STR reporting.</p>	<p>35. Sanctions</p> <p>Effective penalties required for natural and legal persons.</p>
<p>36. International instruments</p> <p>Implement the Vienna, Palermo conventions, UNCAC and UNCSFT. Key</p>	<p>37. Mutual legal assistance</p> <p>Widest range possible to other countries requests. Key</p>	<p>38. Mutual legal assistance: freezing and confiscation</p> <p>Procedures for coordination. Freeze without delay.</p>	<p>39. Extradition</p> <p>ML & TF to be extraditable offence.</p>	<p>40. Other forms of cooperation</p> <p>Widest range possible, including between AML/CTF supervisors and FIUs. Key</p>

APPENDIX C: 11 Immediate Outcomes

<p>1. Risk, Policy and Coordination</p> <p>Money laundering and terrorist financing risks are understood and, where appropriate, actions coordinated domestically to combat money laundering and the financing of terrorism and proliferation.</p>	<p>2. International cooperation</p> <p>International cooperation delivers appropriate information, financial intelligence, and evidence, and facilitates actions against criminals and their assets.</p>	<p>3. Supervision</p> <p>Supervisors appropriately supervise, monitor and regulate financial institutions and DNFBPs for compliance with AML/CTF requirements commensurate with their risks.</p>	<p>4. Preventative measures</p> <p>Financial Institutions and DNFBPs adequately apply AML/CTF preventative measures commensurate with their risks and report suspicious transactions.</p>
<p>5. Legal persons and arrangements</p> <p>Legal persons and arrangement are prevented from misuse for money laundering and terrorist financing, and information on their beneficial ownership is available to competent authorities without impediments.</p>	<p>6. Financial intelligence</p> <p>Financial intelligence and all other relevant information are appropriately used by competent authorities for money laundering and terrorist financing investigations.</p>	<p>7. Money laundering investigations & prosecutions</p> <p>Money laundering offences and activities are investigated and offenders are prosecuted and subject to effective, proportionate and dissuasive sanctions.</p>	<p>8. Confiscation</p> <p>Proceeds and instrumentalities of crimes are confiscated.</p>
<p>9. Terrorist financing investigations and prosecutions</p> <p>Terrorists financing offences and activities are investigated and persons who finance terrorism are prosecuted and subject to effective, proportionate and dissuasive sanctions.</p>	<p>10. Terrorist financing preventative measures & financial sanctions</p> <p>Terrorists, terrorist organisations and terrorist financiers are prevented from raising, moving and using funds and from abusing the NPO Sector.</p>	<p>11. Proliferation financing sanctions</p> <p>Persons and entities involved in the proliferation of weapons of mass destructions are prevented from raising, moving, and using funds, consistent with the relevant UNSCRs.</p>	

APPENDIX D: Summary of 2010 Mutual Evaluation Review results for PNG

2010 MER - 40 Recommendations

No.	Legal Systems	
1.	ML offense	PC
2.	ML offense - mental element and corporate liability	PC
3.	Confiscation and provisional measures	PC
Preventive Measures		
4.	Secrecy laws consistent with the Recommendations	LC
5.	Customer due diligence	NC
6.	Politically exposed persons	NC
7.	Correspondent Banking	NC
8.	New technologies and & non face-to-face business	NC
9.	Third parties and introducers	NC
10.	Record-keeping	PC
11.	Unusual transactions	NC
12.	DNFBP-R.5, 6, 8-11	NC
13.	Suspicious Transaction reporting	PC
14.	Protection and no tipping-off	LC
15.	Internal controls, compliance and audit	PC
16.	DNFBP-R.13-15 & 21	NC
17.	Sanctions	NC
18.	Shell banks	NC
19.	Other forms of reporting	C
20.	DNFBP & secure transaction technique	C
21.	Special attention for higher risk countries	NC
22.	Foreign branches & subsidiaries	NC
23.	Regulations, supervision and monitoring	NC
24.	DNFBP - regulations, supervision and monitoring	NC
25.	Guidelines & Feedback	PC
Institutional and other measures		
26.	The FIU	NC
27.	Law enforcement authorities	PC
28.	Powers of competent authorities	PC
29.	Supervisors	NC
30.	Resources, integrity and training	NC
31.	National Co-operation	PC
32.	Statistics	NC
33.	Legal persons - beneficial owners	PC
34.	Legal arrangements - beneficial owners	PC
International Cooperation		
35.	Conventions	PC
36.	Mutual legal assistance (MLA)	PC
37.	Dual Criminality	LC
38.	MLA on confiscation and freezing	LC
39.	Extradition	LC
40.	Other forms of cooperation	LC

2010 MER - 9 Special Recommendations

SR.I	Implement UN Instruments	NC
SR.II	Freeze and confiscate terrorist assets	PC
SR.III	Confiscation and provisional measures	NC
SR.IV	Suspicious transaction reporting	PC
SR.V	International cooperation	PC
SR.VI	AML/CFT requirements for money/value transfer services	PC
SR.VII	Wire transfer rules	PC
SR.VIII	Nonprofits organizations	NC
SR.IX	Cross-Border Declaration & Disclosure	NC

NOTES



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