



BANK OF PAPUA NEW GUINEA

2019

ANNUAL REPORT

FINANCIAL ANALYSIS AND SUPERVISION UNIT

BANK OF PAPUA NEW GUINEA

**PAPUA NEW GUINEA'S
FINANCIAL INTELLIGENCE UNIT (FIU)**

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2019 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.

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.

MISSION

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 2020

The Board of the Bank of Papua New Guinea

Dear Governor,

For the purposes of Section 75 of the *Anti-Money Laundering and Counter Terrorist Financing Act 2015* (the AML/CTF Act), I am pleased to submit the annual report on the operations of the Financial Analysis and Supervision Unit for the year ended 31 December 2019.

Yours sincerely,

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

CONTENTS

List of Acronyms	5
NATIONAL CO-ORDINATING COMMITTEE CO-CHAIR’S MESSAGE.....	7
DIRECTOR’S MESSAGE	8
GOVERNANCE STRUCTURE.....	10
Director of FASU.....	10
Independence of FASU.....	10
Accountability to the Governor	10
National Co-ordinating Committee on AML/CTF	10
FASU’S ROLES AND RESPONSIBILITIES	11
FASU STRUCTURE.....	11
Intelligence Management Division	11
Supervision and Compliance Division.....	11
Policy Development and Coordination Division	12
FUNCTIONS AND POWERS	12
Enforcement Powers	13
INTELLIGENCE MANAGEMENT	13
Dissemination of Financial Intelligence	13
REPORTING OBLIGATIONS	15
Sanctions Screening Tool	15
Reporting Obligations.....	16
SUPERVISION.....	17
On-site Inspections.....	18
Offsite assessment.....	19
COMPLIANCE.....	20
Registration of Financial Institutions and DNFBPs.....	20
POLICY DEVELOPMENT AND COORDINATION	21
Egmont Membership.....	21
Guidance and Compliance Rule.....	21
Public Disclosure Report	21
Advisory Notes on Customer Due Diligence and Preventative Measures	22
NATIONAL RISK ASSESSMENT ON AML/CTF	22
National Risk Assessment.....	22

NATIONAL CO-ORDINATING COMMITTEE (NCC)	23
National Co-ordinating Committee on AML/CTF	23
Initiatives undertaken.....	25
INTERNATIONAL OBLIGATIONS	26
Mutual Evaluation.....	26
COOPERATION – DOMESTIC AND INTERNATIONAL.....	27
Domestic and International Stakeholder Engagements	27
Joint Agency Spot Check Operation (JASCO).....	27
Memorandum of Understanding (MOU).....	28
CAPACITY BUILDING INITIATIVES.....	29
AUSTRALIA’S DEPARTMENT OF HOME AFFAIRS (DHA).....	29
International Training and Development	31
INTERPOL Financial Crimes Engagements	34
UNODC/UN-PRAC.....	34
AWARENESS AND EDUCATION	35
Outreach and Awareness Activities	35
ANALYSIS OF CURRENT MONEY LAUNDERING AND TERRORIST FINANCING TRENDS	36
Domestic Trends in Money Laundering	36
International Trends in Money Laundering	37
International Terrorist Financing Trends	37
APPENDICES	39
APPENDIX A: Section 75 of the AML/CTF Act 2015	39
APPENDIX B: Summary of FATF 40 Recommendations.....	40
APPENDIX C: Summary of FATF 11 Immediate Outcomes	43
APPENDIX D: Summary of 2010 MER results for PNG	44
APPENDIX E: Photo Gallery	45

List of Acronyms

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
APEC	Asia Pacific Economic Cooperation
APG	Asia/Pacific Group on Money Laundering
AUSTRAC	Australian Transaction Reports and Analysis Centre (Australia's FIU)
BPNG	Bank of Papua New Guinea, PNG's Central Bank or Bank of PNG
BSD	Banking Supervision Department, Bank of PNG (Prudential Regulator)
CDD	Customer Due Diligence
DFAT	Department of Foreign Affairs and Trade
DHA	Department of Home Affairs of Australia
DJAG	Department of Justice and Attorney General
DNFBP	Designated Non-Financial Businesses or Professions
DoT	Department of Treasury
DoMP	Department of Mining and Petroleum
Egmont	The Egmont Group (an affiliation of FIUs)
EITI	Extractive Industry Transparency International
FASU	Financial Analysis and Supervision Unit (Papua New Guinea's FIU)
FATF	Financial Action Task Force
FinTech	Financial Technology
FI	Financial Institution
FIU	Financial Intelligence Unit
FSRB	FATF Style Regional Body
FSSG	Financial System Stability Group
JASCO	Joint Agency Spot Check Operation
ICC-FIB	International Chamber of Commerce – Federal Investigations Bureau
IEFTR	International Electronic Funds Transfer Report
IFTI	International Funds Transfer Instruction
IMD	Intelligence Management Division
IMF	International Monetary Fund
INTERPOL	International Criminal Police Organization
IPA	Investment Promotion Authority
IRC	Internal Revenue Commission
KYC	Know Your Customer
LEA	Law Enforcement Agencies
LFI	Licensed Financial Institutions
ME	Mutual Evaluation
MER	Mutual Evaluation Report
MRA	Mineral Resource Authority
ML/TF	Money Laundering/Terrorism Financing
MOU	Memorandum of Understanding

MVTS	Money Value Transfer Systems
NBFI	Non-Bank Financial Institutions
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
NSP	National Strategic Plan on AML/CTF 2017 - 2022
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
PPATK	The Indonesian Financial Transaction Reports and Analysis Centre or INTRAC or PPATK
RPNGC	Royal Papua New Guinea Constabulary
SCD	Supervision and Compliance Division
SEACEN	South East Asian Central Banks Research and Training Center
SMR	Suspicious Matter Report (S. 41 of the AML/CTF Act)
SOP	Standard Operating Procedure
SRA	Sector Risk Assessment of the ML/TF
TTR	Threshold Transaction Report (S. 39 of the AML/CTF Act)
UNDP	United Nations Development Program
UNODC	United Nations Office of Drug and Crime
UN-PRAC	United Nations – Pacific Region Anti-Corruption Project

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

Papua New Guinea (PNG), located in the Asia-Pacific, is not immune to the effects of ML/TF. The fight against ML/TF requires well-resourced institutions to deliver the services demanded by citizens to enable an agile and robust economy.

Money is the lifeblood of a strong financial system - just as much as it is the lifeblood of organised crime and the facilitation of ML/TF.

PNG is heavily reliant upon a strong financial system – one that facilitates and supports the collection of government revenue and the disbursement of government funds to pay for vital programs such as health, education, infrastructure, defence and law enforcement. PNG also relies on financial institutions to detect and prevent financially motivated crime

such as corruption and tax evasion, as well as terrorist financing. In this regard, I would like to acknowledge the ongoing efforts of our domestic financial institutions, whose contribution to this effort to date have been crucial, and will remain so in the coming years.

Fortunately, PNG is not alone in this fight. Jurisdictions in our region and around the world are working alongside to address these very same issues. As the Co-chair of the National Co-ordinating Committee (NCC) on AML/CTF, I am proud to have overseen the expansion in inter-agency and international co-operation and the reach of PNG's AML/CTF regime over the past 12 months.

I acknowledge the ongoing contribution to these developments over the past 12 months from our international partners – amongst them ADB, APGML, Australian Government through AUSTRAC and AGD (now DHA), INTERPOL, UNODC and UN-PRAC for the continuous support through capacity building initiatives.

I would like to take this opportunity to congratulate the members of the NCC on AML/CTF for the excellent progress made during 2019. The year 2020 will present additional challenges over and above the ordinary, as PNG prepares for its second Mutual Evaluation Review in 2021.

I remain encouraged by the focus and dedication I observe throughout the members of the NCC and am heartened by the progress made so far. I am confident that the work currently being done to detect, deter, disrupt and prevent financially motivated crime and terrorist financing in and throughout PNG will pay dividends for decades to come.

Thank you

DIRECTOR'S MESSAGE



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

I am pleased to present the 2019 Annual Report for the Financial Analysis and Supervision Unit (FASU). This year represented the second year of FASU's operations. FASU continues to improve and expand in almost every facet of its mandate.

As the statistics in this report show, FASU continues to process more information this year compared to the previous year, thus influencing the increase in frequency of intelligence products to be used by domestic and international counterpart FIUs and Law Enforcement Agencies (LEA). Incoming requests increased in 2019 and this has seen more intelligence products processed and disseminated to assist LEAs both locally and internationally. The number of onsite inspections conducted on reporting entities have increased as well. It is pleasing to note the increase in supervision activities in the Designated Non Financial Businesses or Professions (DNFBPs). FASU is one of few AML/CTF regulators within the region and

the world to not only have a mandate over the DNFBP sector but to have demonstrated its ability to conduct supervisory activities within this sector.

This past year has also seen the commencement of a risk-based, intelligence-driven supervision program, wherein the onsite inspections are now guided by financial intelligence developed within FASU, targeting the high risk areas/sectors identified by PNG's 2017 NRA. This approach has proven to be a significant improvement on prior methods of directing regulatory resources and will be expanded to cover additional forms of intelligence over the coming years. FASU views this as a very informed and proactive approach to AML/CTF supervision.

FASU's admission into the Egmont Group of FIUs on 3 July 2019 saw FASU come of age. It is now able to access, and contribute to, international financial intelligence holdings worldwide – something which has expanded its international footprint and ability to detect and disrupt ML&TF. The Egmont membership process is rigorous and achievement of Egmont membership is a clear vote of confidence from the international community in FASU's capacity and ability, something of which I am very proud of. Furthermore, the admission of PNG into the Egmont Group of FIUs, demonstrates the Bank of Papua New Guinea's (the Bank) continuous commitment to meet international standards and requirements in ensuring the integrity of the financial system. This is welcoming news in that it has great potential to contribute to creating an environment for investment and trade to flourish.

FASU will continue to work with international stakeholders on capacity building initiatives in country and within the region. Corruption, fraud against government programs, tax evasion and environmental crimes (illegal logging and illegal fishing) continues to remain as the top 5 challenges PNG faces. It is important that FASU work with international partners to demonstrate effectiveness in its process to overcome and or reduce the adverse impacts

of these challenges before or by the time PNG enters into its second Mutual Evaluation (ME) against the FATF standards.

In preparation for PNG's next ME process which starts in October/November 2020 through to July 2022, FASU initiated and hosted a Pre-ME exercise in November 2019 with the assistance of Australia's Department of Home Affairs (DHA), namely through AUSTRAC and a ME consultant engaged by the DHA. This self-assessment exercise was to understand PNG's position 12 months out from its actual ME. The Pre-ME exercise has been helpful as it highlighted to PNG what it needs to focus on in terms of its priorities, if it is to do well in the up-coming ME.

With the support of our donor and technical assistance providers, I am confident that PNG can and will do better than it did in the last ME in 2010. The findings of the Pre-ME report are currently being prioritised as part of PNG's

preparatory efforts towards the 2021/2022 ME process. I encourage all the NCC members and the technical staff from the member agencies and observer agencies that form the Technical Working Group (TWG) to put in the extra efforts towards PNG's next ME.

I wish to thank all the NCC members and observers, the BPNG Board and Executive Management, and the international donor partners and providers who have been supporting FASU throughout this year and since its inception in 2016. I also extend my sincere thanks and gratitude to all the reporting entities, the Financial Institutions (FIs) and the DNFBPs for their continued support and cooperation in the AML/CTF space.

I look forward to your continuous support and partnership in 2020 and beyond.

May GOD bless PNG!

GOVERNANCE STRUCTURE

FASU is accountable to the People of Papua New Guinea through its mandate in the *Anti-Money Laundering and Counter Terrorist Financing Act 2015* (the AML/CTF Act) which was gazetted on the 04th of February 2016. Its establishment gives rise to its national and international obligations to ensure a safer and stable financial system.

Director of FASU

Pursuant to Section 63 of the AML/CTF Act, the Director is appointed by the Governor of the Bank of Papua New Guinea in consultation with the Commissioner of Police and Secretary for Department of Justice and Attorney General (DJAG). The functions and powers stipulated in the AML/CTF Act are vested in the Director who is responsible for implementing the Act.

The AML/CTF Act specifies that the Director and all officers of FASU are employees of the Bank of Papua New Guinea in accordance with the *Central Banking Act 2000*.

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 within the Bank of Papua New Guinea. FASU is operationally independent and is classified as an administrative FIU.

Accountability to the Governor

FASU is independent in performing 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.

FASU produces annual reports and presents it to the Governor and the Board of BPNG, pursuant to Section 75 of the AML/CTF Act 2015. The Director also provides annual operational reports and quarterly papers to the Governor and the Board of BPNG.

National Co-ordinating Committee on AML/CTF

The National Coordinating Committee (NCC) on AML/CTF consists of heads of 18 state agencies and 3 observer agencies. It was established by the *NEC Decision No: NG 150/2012* on 13 December 2012.

The Governor of BPNG and Secretary of DJAG are Co-chairs to the NCC on AML/CTF with officers from both agencies as the Secretariat to the NCC. The NCC meets quarterly every year. Operationally, the NCC has a TWG consisting of technical officers from the NCC member agencies. The TWG is responsible for the implementation of the NCC sanctioned and proposed initiatives.

This is consistent with FATF Recommendation 2 on national cooperation and coordination.

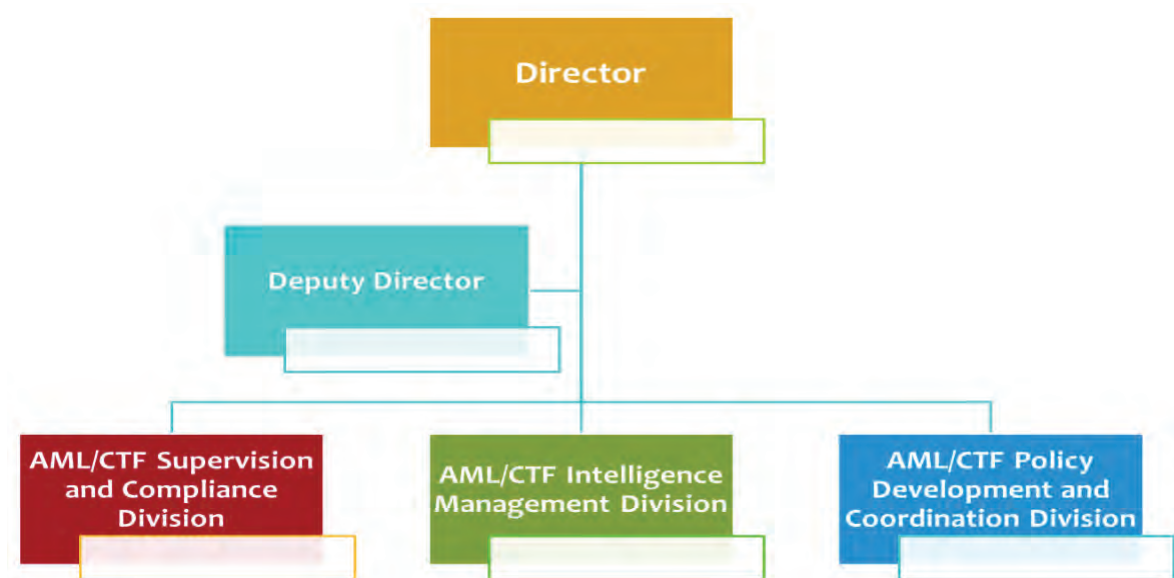
FASU's ROLES AND RESPONSIBILITIES

FASU's role is to protect PNG from money laundering and terrorist financing. Its objective is to ensure that individuals or groups for personal or professional gain do not abuse PNG's financial system. FASU is responsible for maintaining the integrity of PNG's financial system.

The performance of its functions is divided into three (3) divisions as described in *Figure 1*.

FASU STRUCTURE

Figure 1: Current FASU Structure



Source: Financial Analysis and Supervision Unit

Intelligence Management Division

The Intelligence Management Division (IMD) performs intelligence gathering, analysis and dissemination concerning suspected money laundering and associated predicate offences, terrorist financing and proceeds of crime to relevant counterpart agencies both domestically and internationally through the various information exchange arrangements FASU establishes. The IMD also develops risk assessments and typology reports in relation to ML/TF risks and raise awareness in consultation with SCD and PDCD.

Supervision and Compliance Division

The Supervision and Compliance Division (SCD) performs the role as the Supervisor for AML/CTF purposes across FIs and DNFBPs. The SCD monitors, supervises and enforces compliance of the obligations prescribed in the AML/CTF Act. It also coordinates with other regulatory authorities 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.

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. This function will also be responsible for performing coordinating role for domestic and international counterpart and agencies.

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 financial institutions 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 money laundering and terrorist financing; and
- ensure the effective implementation of this Act; and
- supervise financial institutions 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 financial institutions and DNFBPs in enforcing compliance with the obligations under this Act; and
- produce AML/CTF compliance rules to assist financial institutions 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.

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
- publishing notices of non-compliance under Section 106.

FASU continues to conduct awareness and education programs to FIs and DNFBPs to understand their obligations and responsibilities under the AML/CTF Act.

INTELLIGENCE MANAGEMENT

Dissemination of Financial Intelligence

One of the core functions of a FIU is the dissemination of financial intelligence as required under FATF Recommendation 29¹. FASU disseminates two types of products; Intelligence Reports and SMRs. Financial intelligence enables our law enforcement partners to investigate predicate crimes, money laundering and terrorist financing activities.

Over the reporting period of January 01 to 31 December 2019, FASU disseminated a total of 31 Intelligence Reports and 1,773 SMRs² to counterpart agencies. FASU also disseminated 3 intelligence reports to foreign counterpart FIUs within the region.

Request for information received by FASU included 3 international requests and 26 domestic requests. FASU also sent 3 international requests for information to 2 FIUs within the region to assist with some of the intelligence products being progressed during the year. In addition, FASU made 75 domestic requests for information for intelligence gathering and intelligence product development. This comprised of 74 requests to reporting entities and one request to a LEA. All requests were responded to by the Reporting Entities and LEA.

¹ FATF Recommendation 29 is the international standard related to FIU. FATF Recommendation 29 requires that countries should establish an FIU with the responsibility for acting as a national center for receipt and analysis of suspicious transactions and other information relevant to money laundering and terrorist financing, and for dissemination of the results of those analyses.

² The total of 1,773 SMRs disseminated were derived from 25 Bulk SMR Dissemination to domestic agencies which can be referred to in Table 1.

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

Table 1: Domestic Dissemination of Intelligence Report and Raw Bulk³ SMRs 2018 - 2019

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

Source: Financial Analysis and Supervision Unit

Table 2: Spontaneous Information Dissemination with other FIUs from 2017 - 2019

	Year 2017	Year 2018	Year 2019
<i>Dissemination to Other FIUs</i>	Nil	12	3
<i>Dissemination received by FASU</i>	Nil	13	1

Source: Financial Analysis and Supervision Unit

Table 3: Information Exchange with Other FIUs 2017 - 2019

Foreign	Year 2017	Year 2018	Year 2019
<i>Number of requests made by FASU</i>	Nil	17	3
<i>Number of requests received by FASU</i>	Nil	4	3
<i>Number of requests attended by FASU</i>	Nil	4	3

Source: Financial Analysis and Supervision Unit

³ For Raw Bulk Disseminations – it is important to note that some of the SMRs that is sent to IRC and Ombudsman Commission is also sent to Police for further investigations for purposes of money laundering and terrorist financing and the predicate offences.

Table 4: Request for Information made by FASU from 2017 - 2019

	Year 2017	Year 2018	Year 2019
<i>Request made to Reporting Entities</i>	19	54	74
<i>Request made to Other Bodies</i>	0	2	1

Source: Financial Analysis and Supervision Unit

FASU made 74 requests for information to reporting entities and 1 to other bodies in 2019. All requests made to the reporting entities and other bodies were received by FASU respectively.

Table 5: Request for Information received by FASU from 2017 - 2019

	Year 2017	Year 2018	Year 2019
<i>Request for information received from LEA and domestic partner agencies</i>	0	23	26

Source: Financial Analysis and Supervision Unit

FASU received 26 requests from law enforcement agencies and the domestic partner agencies in 2019. All requests were actioned by FASU.

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 of Government for information gathering and intelligence. As such, the incoming request for assistance from LEAs and other agencies will likely increase in the coming years.

REPORTING OBLIGATIONS

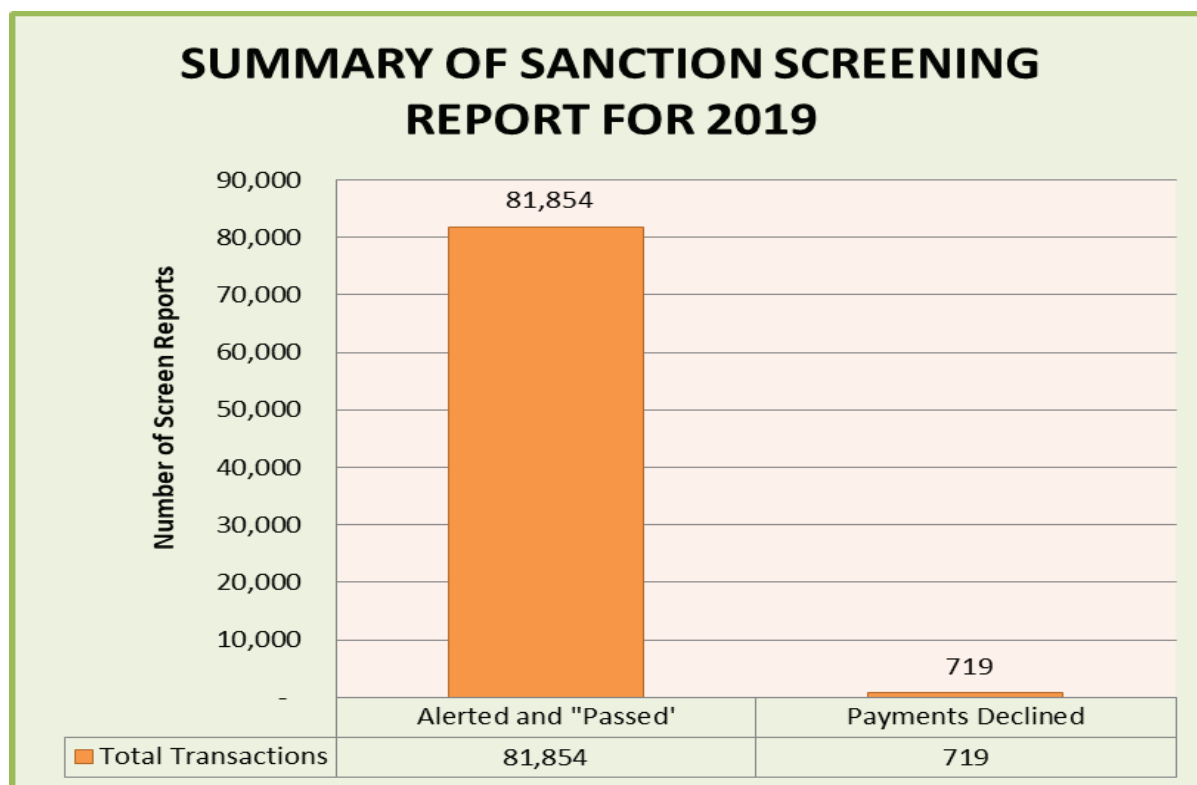
Sanctions Screening Tool

FASU has visibility of the SWIFT sanction screening tool for all inward and outward transactions through the Bank of PNG. The screening tool portal enables FASU to monitor Real Time payments through the settlements done over the SWIFT network.

The four commercial banks also have visibility over SWIFT sanction screening in their respective institutions to monitor transactions. This demonstrates implementation of FATF Recommendation 6 and 7 relating to targeted financial sanctions.

Chart 1 shows the summary of all transactions going through the sanctions screening tool that were passed or declined in 2019 as reported and consolidated by FASU.

Chart 1: Transactions through SWIFT Sanction Screening 2019



Source: Financial Analysis and Supervision Unit

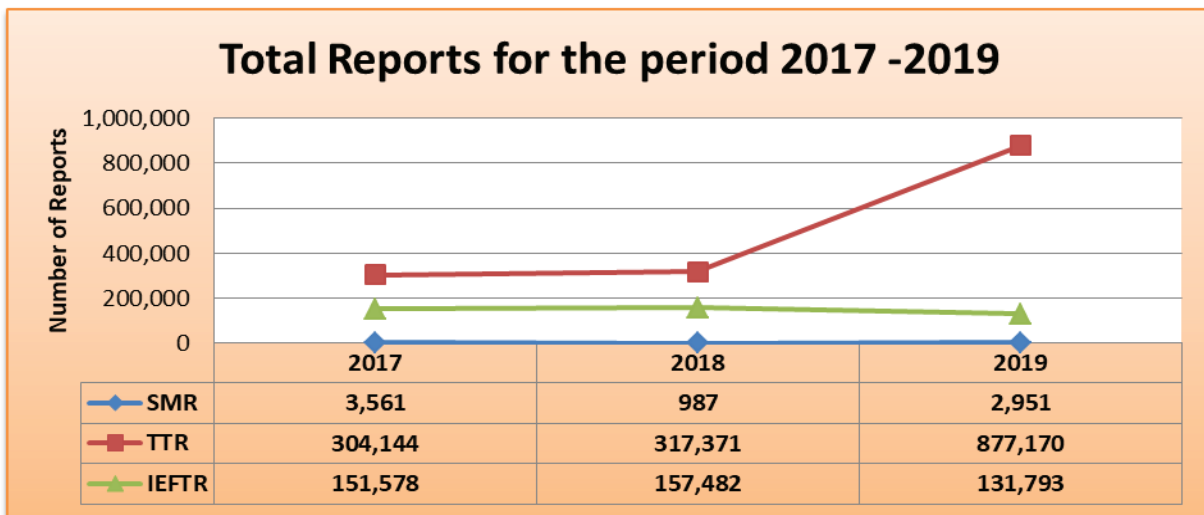
A total of 81,854 transactions have generated alerts when screened through the sanction screening tool in 2019. A total of 719 transactions were declined through screening against UN Sanctioned lists. After further due diligence was conducted on the hits, all the transactions were found to be false positives.

Reporting Obligations

FASU is mandated by the AML/CTF Act to receive reports from reporting entities which includes suspicious matter report (SMR), threshold transaction report (TTR) and international electronic funds transfer report (IEFTR). 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. It is pleasing to note that other financial institutions are also reporting as required under the AML/CTF Act.

Chart 2: Below shows the summary of reports received in the last three years (2017 - 2019)



Source: Financial Analysis and Supervision Unit

The SMR and TTR⁴ have reportedly increased in the reporting year compared to the previous year. The increased awareness to reporting entities of their reporting obligations has resulted in the increase in reporting in 2019. IEFTR has noted a slight decline.

SUPERVISION

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 meets the FATF Recommendations 26 and 28 in relation to supervision of FIs and DNFBPs.

⁴ TTR has significantly increased in 2019 compared to 2018 because most reports captured in 2018 had issues with file specification and could not be fully ingested into the database. The improvements in file specification formats have seen most files in 2019 ingested into the database hence the increase in numbers.

Table 6 gives a summary of the types of reporting entities captured in the AML/CTF Act.

Table 6: 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	v	Notary Public or Other Independent 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

On-site Inspections

A fundamental aspect of FASU's mandate is the supervision of reporting entities, and in particular, the conducting of onsite inspections as stipulated under Section 85 of the AML/CTF Act.

FASU applied the risk-based approach (RBA) for onsite supervision based on risk profile of FIs and DNFBPs. Before conducting onsite inspection, a formal written notice is provided to inform FIs or DNFBPs before conducting onsite inspections.

FASU conducted 13 onsite inspections on reporting entities which included FIs and DNFBPs. The onsite inspections conducted were as follows; two (2) commercial banks which also included visiting the branches in Port Moresby, two (2) non-bank financial institutions, four (4) money changers, four (4) motor vehicle dealers and one (1) law firm. The findings of the onsite inspections have been furnished in the onsite reports and have been raised with the respective reporting entities to apply corrective actions.

Table 7: Number of Onsite Inspection FASU conducted in 2019

No	Reporting Entity	Sector	Month(s)	Parties Involved
1	Resources & Investment Finance Limited (RIFL)	Finance Company	March 2019	FASU and BSD ⁵
2	First Investment Finance Limited (FIFL)	Finance Company	April 2019	FASU
3	Pacific Legal Group Lawyers	Law Firm	May 2019	FASU
4	Better Rates Limited	Money Changer	July 2019	FASU
5	Marino Exchange Limited	Money Changer	July 2019	FASU
6	RSC Forex Limited	Money Changer	July 2019	FASU
7	Westpac Bank (PNG) Limited	Commercial Bank	July & August 2019	FASU
8	JNI Limited t/a Money Xpress	Money Changer	August 2019	FASU
9	BSP Limited	Commercial Bank	October 2019	FASU
10	Niu Ford	Car Dealer	December 2019	FASU
11	KR Motors Limited	Car Dealer	December 2019	FASU
12	2 Fast Motors Limited	Car Dealer	December 2019	FASU
13	Ela Motors	Car Dealer	December 2019	FASU

Source: Financial Analysis and Supervision Unit

Offsite assessment

FASU also conducts offsite assessments in addition to onsite inspections by requesting information and records from FIs and DNFBPs under Sections 81 and 83 of the AML/CTF Act to assess and ascertain the level of compliance in relation to the AML/CTF obligations required from FIs and DNFBPs.

FASU conducted various offsite examination assessments in 2019 on the FIs and DNFBPs which include reviews of unreported SMRs, high risk customers and AML/CTF policies and procedures.

⁵ BSD refers to Banking Supervision Department of Bank of Papua New Guinea responsible for licensing and regulating Licensed Financial Institutions in Papua New Guinea. BSD can be referred to as a “Peer Regulator”

COMPLIANCE

Registration of Financial Institutions and DNFBPs

Pursuant to Section 57 of the AML/CTF Act, FIs and DNFBPs are required to register with FASU.

Table 8 gives a summary of the FIs and DNFBPs registered with FASU. FASU notes that there are some FIs and DNFBPs not registered while others do not have their business activities covered under Section 52 of the AML/CTF Act.

Table 8: Number of Financial Institutions and DNFBPs Registered with FASU as at 31 December 2019

Financial Institutions	Registered	DNFBPs	Registered
Banks & Microbanks	8	Accounting Firms	26
Licensed Financial Institutions	9	Dealers in Precious Stones/Metals	16
Savings & Loan Societies	10	Car Dealers	9
Superannuation Funds	4	Lawyers	52
Fund Administrators	2	Real Estate	18
Investment Managers	3		
Securities Sector	2		
Money Changers	9		
Life/ General Insurance Sectors	25		
Others			
TOTAL	72	TOTAL	121

Source: Financial Analysis and Supervision Unit

The registration information provides FASU with the understanding of its regulated population across PNG. Based on this, FASU can conduct on and off-site supervision as well as money laundering and terrorist financing (ML/TF) risk assessments on the various sectors to identify sectors that are deemed to pose significant ML/TF risks. Accordingly, resources allocation and focus of awareness, trainings and typology workshops should commensurate the risks present in each sector.

POLICY DEVELOPMENT AND COORDINATION

Egmont Membership

On the 3rd of July 2019, FASU was admitted as a member of the Egmont Group of Financial Intelligence Units, at the annual Egmont Plenary in the Hague, Netherlands. Membership of Egmont is through a rigorous evaluation process conducted by sponsor countries and in PNG's case, Australia and New Zealand were the sponsors. FASU's admission into this group is an international vote of confidence in FASU's operational capacity as a FIU.

The admission of FASU into the Egmont Group improves PNG's rating on FATF Recommendation 29 relating to FIUs. This would not have been possible without the support and guidance of the Australian and New Zealand Governments, various international donor partners, PNG's DJAG and the BPNG Board and Executive Management.

Being a member of the Egmont Group of FIUs enables the FASU to support the government in its fight against money laundering, financing of terrorism and other financial crimes that would otherwise destabilize and erode the integrity of PNG's financial system.

Guidance and Compliance Rule

The AML/CTF Compliance Rule and Guidance to the industry was endorsed by Governor, Bank of PNG and disseminated to the reporting entities in May 2019. The purpose of these documents is to assist the reporting entities understand their obligations and application of the obligations. These materials are also published on the BPNG website⁶.

This initiative is in line with FATF Recommendation 34 relating to guidance and feedback. It was accomplished through the technical assistance program provided by AUSTRAC, DHA and PNG's DJAG. There were extensive consultations conducted with the various reporting sectors throughout the development of these materials.

Public Disclosure Report

The Public Disclosure Report (PDR)⁷ and its SOP was developed and a trial run was made in August 2019, which proved to be successful. FASU will adopt the PDR and the SOP for implementation in 2020.

The PDR contains questions designed to gather information from the general public regarding suspicions of money laundering and terrorist financing offences. The SOP on the PDR was developed to guide users to use the PDR.

The information on the completed PDR will assist FASU to draw connections to relatively new, ongoing or past reports.

⁶ Refer to <https://www.bankpng.gov.pg/financial-analysis-and-supervision/>

⁷ PDR is in line with FATF Recommendation 29 on FIUs to cover a wide range of information.

Advisory Notes on Customer Due Diligence and Preventative Measures

The advisory notes on Preventative Measures (Other than Customer Due Diligence) were issued to the reporting entities in May 2019. The Advisory Notes on Risk Based Customer Due Diligence was issued in August 2018. These documents are to inform and advise reporting entities of their obligations as required under the AML/CTF Act, thus assisting the reporting entities with their compliance of their AML/CFT obligations.

NATIONAL RISK ASSESSMENT ON AML/CTF

National Risk Assessment

As part of PNG's membership subscription to the Asia/Pacific Group on Money Laundering (APG) and the FATF; PNG will be subjected to its next ME over a period of 18 months, 2021-2022. Papua New Guinea will be examined on its technical compliance with the FATF's 40 Recommendations as well as its 'effectiveness'⁸ against the FATF 11 Immediate Outcomes (IOs)⁹. The FATF Recommendation 1 requires that countries must identify and assess risks of the country. Countries are also required to keep the risk assessments up to date. IO 1 further requires that countries must demonstrate effectiveness and a good understanding of their ML and TF risks, and where appropriate, actions coordinated domestically to combat ML, TF and proliferation.

Further to the 2017 NRA¹⁰, PNG commenced a Sector Risk Assessment (SRA) for the forestry sector in December 2019 and is likely to complete it in the third quarter of 2020. This initiative was pursued given that the forestry sector was identified by PNG's 2017 NRA to be one of the top 5 high risk sectors vulnerable to ML risks. The SRA is an initiative supported by technical assistance from the UNODC. The UNODC is working with PNG Forest Authority, FASU and other relevant domestic partner agencies to deliver the risk assessment for this sector.

⁸ Effectiveness is defined in terms as "the extent to which financial systems and economies mitigate the risks and threats of money laundering, and financing of terrorism and proliferation (FATF, 2013 (updated Feb 2019), p. 15).

⁹ To achieve these intermediate outcomes, the FATF has identified 11 key goals that an effective AML/CFT framework should achieve. These key goals or 'immediate outcomes' are organized by thematic goal. During its mutual evaluations, the FATF will assess the effectiveness of a country's efforts against each of these 11 immediate outcomes.

¹⁰ 2017 NRA can be accessed by <https://www.bankpng.gov.pg/wp-content/uploads/2019/04/Money-Laundering-and-Financing-of-Terrorism-National-Risk-Assessment-4.pdf>

NATIONAL CO-ORDINATING COMMITTEE (NCC)

National Co-ordinating Committee on AML/CTF

The NCC on AML/CTF is the leading body, implementing a whole-of-government approach, for directing resources, sharing information and making policy decisions with respect to AML/CTF. The establishment of the NCC is in line with FATF Recommendation 2 relating to national cooperation and coordination.

In 2019, the NCC met on five (5) occasions. These meetings are an avenue for NCC members to report against their action items as per the AML/CTF National Strategic Plan 2017-2022 (NSP) and also identify and discuss priority items to undertake in combating money laundering and terrorist financing.

Table 9: NCC Meetings in 2019

	Date	Meeting	Venue
1	21 st March 2019	Deferred NCC Meeting No.4/2018	Hilton Hotel
2	23 rd May 2019	NCC 1/2019	DJAG Conference Room, Ground Floor
3	1 st August 2019	NCC 2/2019	PM & NEC Conference Room, Sir Manasupe Building, Level 1
4	17 th October 2019	NCC 3/2019	FASU Conference Room, Credit House, Level 2
5	10 th December 2019	NCC 4/2019	FASU Conference Room, Credit House, Level 2

Source: Financial Analysis and Supervision Unit

The 18 state agencies including the regulatory authorities and law enforcement agencies that form the committee are;

1. Bank of Papua New Guinea / Financial Analysis and Supervision Unit
2. Department of Justice & Attorney General
3. Investment Promotion Authority
4. PNG Securities Commission
5. Department of Prime Minister & NEC
6. Department of Finance
7. Department of Treasury
8. Office of the Public Prosecutor
9. Royal PNG Constabulary
10. Internal Revenue Commission
11. PNG Customs Service
12. Department of Foreign Affairs & Trade
13. National Gaming & Control Board
14. Office of the Insurance Commissioner
15. PNG Immigration and Citizenship Authority
16. National Intelligence Organisation
17. National Fisheries Authority
18. PNG Forest Authority

The 3 observer agencies that sit in the meetings include;

1. The Ombudsman Commission
2. National Maritime Safety Authority
3. PNG National Narcotics Bureau

Initiatives undertaken

The NCC's TWG which comprises of technical officers from its respective agencies is tasked with delivering on all action items discussed during the meetings, providing guidance and progressive updates to the NCC.

The TWG met 4 times in 2019. The NCC secretariat also met with 15 agencies one-on-one to increase their understanding of each of their agencies responsibilities and deliverables required by the 2017-2022 NSP.

Table 10: NCC TWG Meetings in 2019

	Date	Meeting	Venue
1	31 January 2019	NCC TWG 1/2019	Conference Room, Ground Floor, Sir Buri Kidu Haus, Department of Justice & Attorney General
2	25 April 2019	NCC TWG 2/2019	Conference Room, Ground Floor, Sir Buri Kidu Haus, Department of Justice & Attorney General
3	31 July 2019	NCC TWG 3/2019	PM & NEC Conference Room, Level 1, Sir Manasupe Building
4	26 – 29 November 2019	NCC TWG 4/2019	Artemis Conference Room, Lamana Hotel

Source: Financial Analysis and Supervision Unit

Table 11: One-on-One Meeting in 2019

	Date	Meeting	Venue
1	1 July 2019	National Fisheries Authority	NFA Conference Room
2	1 July 2019	PNG Forest Authority	PNGFA Conference Room
3	2 July 2019	Investment Promotion Authority	IPA Conference Room
4	2 July 2019	Securities Commission of PNG	IPA Conference Room
5	4 July 2019	PNG Customs Services	PNGCS Conference Room
6	15 July 2019	National Maritime Safety Authority	NMSA Conference Room

7	17 July 2019	Bank of PNG	FASU Conference Room, Credit House
8	29 July 2019	Internal Revenue Commission	FASU Conference Room, Credit House
9	29 July 2019	Office of Public Prosecutor	FASU Conference Room, Credit House
10	29 July 2019	Royal PNG Constabulary	FASU Conference Room, Credit House
11	2 October 2019	Department of Treasury	DoT Conference Room
12	20 October 2019	National Maritime Safety Authority	NMSA Conference Room
13	4 November 2019	Ombudsman Commission	FASU Conference Room, Credit House
14	4 December 2019	Department of Foreign Affairs and Trade	DFAT Conference Room
15	16 December 2019	National Narcotics Bureau	NNB Conference Room

Source: Financial Analysis and Supervision Unit

The NRA 2017 and the NSP 2017 – 2022¹¹ were endorsed and adopted by the NEC in late 2018 after the conclusion of the APEC Meeting in PNG. These documents were launched by the NCC Co-chairs in March 2019.

INTERNATIONAL OBLIGATIONS

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 2021/2022 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 exercise. PNG had its last ME in 2010 with the ME report adopted in 2011. In 2013/2014, PNG was grey listed by the FATF for not demonstrating adequate progress in addressing the deficiencies of its AML/CTF framework. This led to the 2015 reform to the AML/CTF framework and subsequent delisting by the FATF in 2016.

¹¹ Refer to https://www.bankpng.gov.pg/wp-content/uploads/2019/04/National-Anti-Money-Laundering-and-Counter-Terrorist-Financing-Strategic-Plan-2017-2022_-3.pdf

COOPERATION – DOMESTIC AND INTERNATIONAL

Domestic and International Stakeholder Engagements

FASU was part of the BPNG and PNG delegation to various APEC meetings that were hosted by Chile in February 2019. FASU's participation at the APEC meeting was related to Anti-Corruption, Counter Terrorism and Illegal logging.

FASU was also invited to participate in the Extractive Industries Transparency International (EITI) initiatives on beneficial ownership and disclosure workshop in Manila, Philippines in March 2019. Over 70 participants from 10 different countries attended this workshop. FASU continues to work in partnership with PNG EITI to support the initiative undertaken to ensure PNG complies with global standards on good governance for oil, gas and mineral resources.

In June 2019, FASU was engaged in providing training in collaboration with INTERPOL to the Royal Solomon Islands Police Force (RSIPF), the Solomon Islands FIU and other relevant key government agencies. The training was on financial investigations related to forestry crimes.

FASU was also involved with the Global Forum (GF) initiatives led by the Internal Revenue Commission (IRC). An onsite was conducted in July 2019 by GF on Transparency and Exchange of Information for Tax Purposes which involved other relevant agencies. FASU has been an integral part of this exercise. PNG's report to this forum is expected to be adopted in June 2020.

FASU was also engaged by APG in 2018/2019 to assist in the ME review of the Solomon Islands as an assessor. This participation was completed with the adoption of Solomon Islands Mutual Evaluation Report (MER) at the APG Annual General Meeting in Canberra, Australia in August 2019.

Further, FASU was involved in the second round of review of the Associations Act; a project led by IPA during the consultations held at Hilton Hotel, Port Moresby in September 2019.

Joint Agency Spot Check Operation (JASCO)

JASCO is an initiative led by the PNG Immigration and Citizenship Authority (PNG ICA) targeting people who entered the country illegally and breaches other laws and regulations within the country. In the spirit of cooperation and coordination, PNG ICA lead this initiative with multiple other LEAs and regulatory authorities to conduct spot checks on individuals and entities.

FASU and the Employers Contribution Enforcement Unit (ECEU) within the Financial System and Stability Group (FSSG) from BPNG are active members of this initiative and regularly participate in such operations.

In 2019, FASU and ECEU participated in the initial planning. FASU was not able to participate in the actual operations due to the busy schedule. FASU will continue to participate in the

JASCO to demonstrate strong and effective interagency coordination, cooperation and collaboration among domestic partners and agencies.

These domestic and international engagements demonstrate FASU or PNG's efforts required by FATF Recommendation 2 regarding national cooperation and coordination.

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 2019, FASU signed a total of 6 MOUs with counterpart FIUs. FASU continues to pursue more MOUs with other FIUs within the Asia-Pacific region and the world.

Table 12: International MOU's Signed in 2017 - 2019

	Financial Intelligence Unit	Date Signed
1	The Anti – Money Laundering Council of the Philippines (AMLC)	13 November 2019
2	The Anti-Money Laundering Division, Investigation Bureau, Ministry of Justice, Republic of China (Taiwan)	20 August 2019
3	The Financial Intelligence Unit of Sri Lanka	19 August 2019
4	Malaysia - Bank Negara Malaysia	18 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 July 2019
6	The Unidad De Análisis Financiero of the Republic of Chile	3 July 2019
7	The Financial Intelligence Unit of the Democratic Republic of Timor Leste	24 July 2018
8	Cook Islands Financial Intelligence Unit (CIFIU)	24 July 2018
9	Solomon Islands Financial Intelligence Unit (SIFIU)	24 July 2018
10	Samoa Financial Intelligence Unit (SFIU)	24 July 2018
11	Fiji Financial Intelligence Unit (Fiji FIU)	24 January 2018
12	Bangladesh Financial Intelligence Unit (BFIU)	19 July 2017
13	Japan Financial Intelligence Centre (JAFIC)	18 July 2017
14	Australian Transaction Reports and Analysis Centre (AUSTRAC)	4 May 2017

Source: Financial Analysis and Supervision Unit

FASU has signed 12 MOUs with domestic partner agencies in accordance with Section 80 (2) of the AML/CTF Act. In 2019, FASU signed 5 MOUs with domestic partner agencies to enhance cooperation and collaboration in terms of information sharing to investigate ML, TF and other predicate offences.

Table 13: Domestic MOU's Signed from 2017 - 2019

	Name of Agency	Date Signed
1	The Office of the Insurance Commissioner (OIC)	10 December 2019
2	Office of the Public Prosecutor (OPP)	23 May 2019
3	The National Narcotics Bureau of PNG (NNB)	21 March 2019
4	Ombudsman Commission of PNG (OC)	28 February 2019
5	Royal Papua New Guinea Constabulary (RPNGC)	15 February 2019
6	PNG Immigration and Citizenship Authority (ICA)	25 October 2018
7	PNG National Fisheries Authority (NFA)	29 August 2018
8	PNG Customs Services (CS)	13 November 2017
9	Internal Revenue Commission (IRC)	28 September 2017
10	PNG Investment Promotion Authority (IPA)	11 July 2017
11	PNG Securities Commission (SC)	11 July 2017
12	National Intelligence Organisation (NIO)	25 May 2017

Source: Financial Analysis and Supervision Unit

CAPACITY BUILDING INITIATIVES

AUSTRALIA'S DEPARTMENT OF HOME AFFAIRS (DHA)

The Australian Government continues to support PNG through its line agencies, AUSTRAC and AMLAT within DHA in providing technical assistance under the Australian Aid, *Supporting Papua New Guinea's Effective AML/CTF Reform (SPEAR)* Programme. The technical assistance extends to Analyst Exchange Program (AEP) in 2019 between FASU and AUSTRAC, developing FASU's financial intelligence database as well as building capacity with supervision and compliance capabilities through the Regulatory Exchange Program (REP).

In 2019, FASU with the support of PNG's DJAG as well as AUSTRAC and DHA also initiated the Pre-ME exercise to understand how well PNG measured against its compliance and effectiveness ratings with the FATF International Standards and IOs. The findings of this exercise will be used to prepare PNG well for its next ME in 2021-2022.

Table 14 summarises the engagement with AUSTRAC and DHA through the Australian Government's Aid program to PNG.

Table 14: Engagement with AUSTRAC and AGD in 2019

Dates	Scope of Engagement	Agencies Involved
12 - 15 February 2019	Analyst Exchange Program (AEP) in Melbourne, Australia	AUSTRAC FASU
13 - 18 May 2019	Advancing the Effectiveness of PNG's AML/CTF System Workshop in Cairns, Australia	AMLAT AUSTRAC FASU OPP RPNGC
22 - 24 May 2019	Analyst Exchange Program (AEP) in Port Moresby, Papua New Guinea	AUSTRAC FASU
26 May - 02 June 2019	Regulatory Exchange Program (REP) in Sydney, Australia	AMLC AUSTRAC FASU
17 - 21 June 2019	Analyst Exchange Program (AEP) in Sydney, Australia	AUSTRAC FASU
17 - 21 June 2019	Regulatory Exchange Program (REP) in Manila, Philippines	AMLC AUSTRAC FASU
23 - 25 October 2019	NPO Sector Risk Assessment in Port Moresby, Papua New Guinea	AUSTRAC DJAG FASU IPA
26 - 29 November 2019	Analyst Exchange Program, Port Moresby, Papua New Guinea	AUSTRAC FASU
27 - 29 November 2019	Mutual Evaluation Preparatory Workshop, Port Moresby, Papua New Guinea	AUSTRAC DJAG FASU OPP PNGFA PM & NEC RPNGC DFAT PNG CS IPA/SC OIC PNG ICA NIO NFA IRC NNB OC

Source: Financial Analysis and Supervision Unit

International Training and Development

BPNG continues to demonstrate its commitment in nation building by supporting and committing financial resources to its functional groups for training and development each year as part of capacity building and upskilling PNG's human resource. In 2019, FASU officers attended a number of events. The various training, workshops and conferences attended in 2019 were funded by the BPNG as well as various international donor partners that FASU works with.

Table 15 gives a summary of the trainings that FASU and other government agencies including law enforcement agencies that attended these programmes.

Table 15: International Trainings/Workshops/Conference attended in 2019

No.	Date	Details of Engagements	Organiser	Participating Agencies
1	26 January - 3 February 2019	Invitation to the 2019 Egmont Group Meeting in Jakarta, Indonesia	Egmont Group	FASU
2	9 - 18 February 2019	AUSTRAC & FASU Analyst Exchange Program (AEP), Melbourne, Australia		AUSTRAC FASU
3	21 February - 3 March 2019	2019 APEC Senior Officials and Finance and Central Bank Deputies Meetings in Chile	APEC	BPNG FASU Others
4	4 - 8 March 2019	Invitation to attend the Pacific Regional FATF Standards Training course, held in Auckland, New Zealand	APG	DJAG FASU
5	11 - 15 March 2019	Attend the Asia Pacific Group (APG) Assessor Training Workshop in Auckland, New Zealand	APG	DJAG FASU
6	11 - 15 March 2019	Attend the Regional Training on Financial Investigations in the Forestry Sector - Nusa Dua, Bali, Indonesia	INTERPOL	FASU PNGFA RPNGC
7	19 - 20 March 2019	Invitation from "PNGEITI" to attend the BO Regional Workshop in Manila, Philippines	EITI	FASU PNG EITI DoT IPA MRA DoMP Kundu 2 TV

8	31 March - 7 April 2019	Invitation from UN_PRAC to attend a training on Financial Investigations and Prosecutions (Anti-Money Laundering Focus) in Support to Asset Recovery Efforts in Palau	UN-PRAC	FASU
9	9 - 12 April 2019	Invitation from INTERPOL - Asia Pacific Conference on Forestry Crime held in Singapore	INTERPOL	FASU OPP PNGFA PNG ICA RPNGC
10	27 April - 5 May 2019	Asia Pacific Group (APG) on AML/CTF Engagement of the APG 2018/2019 Mutual Evaluation of Solomon Islands	APG	FASU
11	16-17 May 2019	Invitation to attend the Pacific Round Table on Correspondent Banking Relations Workshop in Auckland, New Zealand	IMF	BPNG FASU
12	13 - 18 May 2019	AUSTRAC Invite for six officers to attend the Advancing the Effectiveness of PNG's AML/CTF System Workshop in Cairns, Australia	AUSTRAC	DJAG FASU OPP RPNGC
13	26 May - 2 June 2019	Regulatory Exchange Program (REP) in Sydney, Australia	AUSTRAC	AMLC AUSTRAC FASU
14	29-30 May 2019	Women against Money Laundering Conference in Canberra, Australia	APG	FASU DJAG
15	10 - 14 June 2019	Invitation from the IMF-STI Course on Addressing Pressures on Correspondent Banking Relationships. A Guide for Pacific Islands States (CBRs) in Singapore	IMF	BPNG FASU
16	17 - 19 June 2019	The Pacific Workshop on Targeted Financial Sanctions Related to Terrorism Financing and Proliferation financing - Suva, Fiji	APG	DJAG FASU
17	17 - 21 June 2019	Analyst Exchange Program in Sydney, Australia	AUSTRAC	AUSTRAC FASU
18	17 - 21 June 2019	Regulatory Exchange Program (REP) in Manila, Philippines	AMLC	AMLC AUSTRAC FASU

19	24 - 26 June 2019	To attend the Facilitator / Trainer in the National Training on Financial Crime Investigation in the forestry Sector in Honiara, Solomon Islands	INTERPOL	FASU
20	1 - 5 July 2019	Attend 26th EGMONT Plenary Meeting in Hague, Netherland	Egmont Group	FASU
21	2 - 4 July 2019	Attend the 3rd INTERPOL Working Group on Darknet and Cryptocurrency in Singapore	INTERPOL	FASU
22	17 - 18 July 2019	Attend the 14th International Chamber of Commerce - Financial Investigation Bureau (ICC FIB) International Financial Crime Forum in Kuala Lumpa, Malaysia	ICC FIB	FASU
23	17 - 23 August 2019	Attend the 22nd APG Annual General Meeting and Technical Assistance Forum in Canberra, Australia	APG	BPNG DJAG DoF FASU NIO
24	23 - 27 September 2019	Attend the 6th ARIN-AP Annual General Meeting and "Finding the Hidden Assets: Concealing the Beneficial Ownership of Proceeds of Crime" Workshop 2019, Mongolia	AUSTRAC Independent Authority Against Corruption - Mongolia	FASU OPP
25	21 - 25 October 2019	SEACEN-BOJ Course on "Oversight and Regulation of Payment and Settlement Systems" in Manila, Philippines	SEACEN	BPNG FASU
26	11 - 22 November 2019	To Attend the INTERPOL Training on Financial Investigations Related to Forestry Sector in Bangkok, Thailand	INTERPOL	FASU PNGFA RPNGC
27	11 - 14 November 2019	Counter Terrorism Financing Summit, Manila, Philippines	AMLC AUSTRAC PPATK	FASU
28	19 - 22 November 2019	South East Asian Foreign Fighters - Pacific Working Group Meeting in Kuala Lumpur, Malaysia	INTERPOL	FASU RPNGC

Source: Financial Analysis and Supervision Unit

INTERPOL Financial Crimes Engagements

FASU has been working in close collaboration with INTERPOL on various capacity building initiatives both overseas and locally for PNG's law enforcement agencies and are mostly in financial crime related to the forestry sector.

INTERPOL continues to provide training and analytical support to Papua New Guinea and has been a strategic partner in the financial crimes related to forestry in the Asia Pacific region.

UNODC/UN-PRAC

The United Nations Office of Drug and Crime (UNODC) continue to provide technical support through training and development for capacity building initiatives in PNG. UNODC provided two trainings from 29th – 31st May and 2nd – 4th October 2019 related to intelligence analysis which FASU organised for and on behalf of the LEAs.

More than 20 participants attended the two trainings that were conducted in Port Moresby.

The United Nation-Pacific Regional Anti-Corruption Project (UN-PRAC) also conducted a training from 5th – 7th August 2019 in Port Moresby, on Financial Investigations and Prosecutions (AML focus) in support of PNG's Asset Recovery Efforts. This training was organised by FASU and was facilitated by UN-PRAC, INTERPOL and FASU.

The agencies that attended this training include BPNG, DJAG, ICAC, IRC, PM & NEC, PNG Customs, PNGFA, PNG ICA, OPP, Ombudsman Commission (OC) and RPNGC.

More than 35 participants attended this training from the various agencies of government.

AWARENESS AND EDUCATION

Outreach and Awareness Activities

FASU conducted a total of 13 outreach and awareness sessions in 2019. The range of awareness activities conducted included presentations to reporting entities, law enforcement agencies, the NCC's TWG, public awareness, awareness at schools and radio talk-backs among others. Refer to *Table 16*.

Table 16: Summary of Awareness and Outreach Conducted in 2019

No.	Date/Month	Location	Topics Covered
1	31 January 2019	Port Moresby	Findings of the NRA and the NSP to 20 NCC members and the TWG.
2	12-13 February 2019	Port Moresby	Awareness to FIS on the NRA, Guidance and Compliance Rules.
3	14 February 2019	Port Moresby	Targeted Awareness to the Real Estate Sector, initiated by Strickland Real Estate
4	12 March 2019	Port Moresby	Targeted Awareness to BSP Executive Staff and Offshore Branch staff.
5	24-29 March 2019	Lae	NCC Members, Business Houses and Schools. Radio Talk Back Show (Radio Morobe)
6	1-3 April 2019	Lae	Awareness on NRA to Reporting Entities, NCC Members.
7	29 April 2019	Port Moresby	Targeted Awareness to Alpha Insurance
8	6-7 June 2019	Lae	PNG Customs Services, Momase Region.
9	13-14 June 2019	Mt Hagen	BFI, DNFBPs, LEAs, NCC members and Schools, Radio Talkback show (Radio Western Highlands)
10	14 June 2019	Mt Hagen	Targeted Awareness to RPNGC – Police Investigation Regional Training in Mt. Hagen.
11	12-13 October 2019	Lae	General Public Education Awareness including business houses at the Morobe Show
12	5 November 2019	Port Moresby	Institute of Insurance PNG, Insurance Commission, Insurance Council
13	6 – 8 November 2019	Kimbe	Awareness and Education to Provincial Heads of NCC Member Agencies, LEAs, Key Government Agencies and Peer Regulators

Source: Financial Analysis and Supervision Unit

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 considered general in nature. It should not be assumed that all methods and trends known to FASU are detailed herein.

Domestic Trends in Money Laundering

Money laundering in Papua New Guinea in 2019 has evolved a little over the previous 12 months; however, it is still heavily skewed towards professional laundering through the commercial banking sector. FASU continues to see ‘pre-laundering’ behaviour related to corruption offending. This type of ‘laundering’ involves little or no attempt to hide the source or illicit application of the funds. On occasions, these funds move from a government, or commercial account, held in a bank, to a customer account held by the same bank, with little or no sophisticated laundering methodology employed.

Where there has been a level of sophistication developing involving the use of professionals, such as law firms and accountants, these professional facilitators assist in the creation of shell companies to act as nominee shareholders and directors. They also assist in generating and issuing fake documentation. Some of these professional facilitators also act in other capacities for the same clients - providing a ‘one-stop-shop’ for corruption and money laundering facilitation.

The use of shell companies and nominee directors and shareholders remained a favoured method of obscuring the ownership and control of illicit assets during 2019.

2019 also saw the continuation of the movement of illicit proceeds to other jurisdictions in ‘drips and drabs’ in transactions designed to look ‘supposedly commercial’ and through the use of debit and credit cards to transfer money offshore and repatriate it.

2019 continued to show little indication that PNG is a source, destination or transit country for terrorist-financing.

International Trends in Money Laundering

Globally, the use of tax havens (and the products and services offered by them) remains the single greatest money laundering issue confronting all jurisdictions. Tax havens appeared in all major money laundering cases reported during 2019. This is because tax havens allow the anonymous ownership, movement and control of assets as well as effective protection from asset confiscation and prosecution through a wide array of products and services.

Laundering through banks and other financial institutions (and their staff/management) also remained a significant challenge for many jurisdictions in 2019. Financial institutions are placed in a position of trust in AML/CTF systems, rendering detection of money laundering by them extremely challenging for most jurisdictions. For jurisdictions that rely solely on suspicious transaction reporting (STRs) for the detection of money laundering, the detection of money laundering by financial institutions and their staff continues to be a concern.

Money laundering offenders, as a group, are known to be nimble and responsive to changes in law enforcement methods of detection and disruption. Indications are that most of the more successful money launderers are aware of the methods for detection and disruption promoted by the FATF under the 40 Recommendations and have structured their laundering methodologies to avoid detection.

One method that circumvents FATF-recommended controls is the use of ‘value-transfer’ laundering process. ‘Value-transfer’ involves the purchase and movement of goods to prevent tracing of the value-flow by authorities and break the financial link between, for example, the purchaser and seller of drugs.

Additionally, the use of credit card/debit card to move funds across borders is seeing an increase. As with ‘value-transfer’, the use of debit and credit cards avoids the threshold transaction reporting on wire transfers used by many jurisdictions to detect money laundering and terrorist financing.

Internationally, the use of professional assistance with company formation and knowledge of international banking, legal and AML systems appeared also to be on the rise in 2019 with money launderers.

International Terrorist Financing Trends

Terrorist organisations use funds for the following broad categories:

- Operations;
- Propaganda and recruitment;
- Training;
- Salaries and Member compensation;
- Social Services.

Research has shown that terrorist organisations rely on numerous sources of income. These include:

- Legitimate commercial enterprise;
- Self-funding;
- Proceeds of criminal activity;

- Donations;
- Abuse and misuse of non-profit organizations;
- Extortion of local diaspora populations and businesses;
- Kidnapping for ransom;
- State sponsorship.

Terrorist organisations use a multitude of methods to move funds. These include:

- Funds-transfer through banks;
- Money-value transfer systems;
- Physical transportation of cash;
- Physical movement of assets.

Terrorist organisations, and the methods they use to raise, move, store and use funds are constantly evolving.

APPENDICES

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 publicly 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.</p> <p style="text-align: right;">Core</p>	<p>4. Confiscations and provisional measures</p> <p>Adequate powers for LEA to confiscate proceeds of crime. Include property used, or intended to be used.</p> <p style="text-align: right;">Key</p>
<p>5. Terrorist financing offence</p> <p>Include terror acts, financing and organisations.</p> <p style="text-align: right;">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.</p> <p style="text-align: right;">Core</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.</p> <p style="text-align: right;">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.</p> <p style="text-align: right;">Core</p>

<p>11. Record keeping Customer identification. Should enable reconstruction of transactions. Keep after account is closed.</p> <p style="text-align: center;">Core</p>	<p>12. Politically exposed persons System to ID PEPs; senior management approve new accounts; establish source of wealth and funds; on-going monitoring.</p>	<p>13. Correspondent banking 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 Register or licence MVTS and regulate.</p>	<p>15. New technologies E.g. Technology that might favour anonymity – include CDD measures for non face-to-face business.</p>
<p>16. Wire transfers Originator name, address & account number; Beneficiaries name, address etc.</p>	<p>17. Reliance on third parties Must obtain copy of CDD info immediately. 3rd party must be supervised and regulated.</p>	<p>18. Internal controls and foreign branches and subsidiaries Implement AML/CFT programs & apply to foreign branches and subsidiaries.</p>	<p>19. Higher-risk countries Special attention to transactions from countries not applying FATF 40 Recommendations. Can apply FATF countermeasures.</p>	<p>20. Reporting of suspicious transactions Report if reasonable grounds to suspect funds are proceeds of crime.</p> <p style="text-align: center;">Core</p>
<p>21. Tipping-off and confidentiality Banks and staff protected from criminal and civil action if report in good faith. Don't tip off STR.</p>	<p>22. DNFBPs: CDD Casinos, real estate, precious metals, lawyers & accountants. Rules set out in guidelines and legislation.</p>	<p>23. DNFBPs: other measures Apply Recommendations 18-21. Report STR when managing assets for client. Professional privilege exempt.</p>	<p>24. Transparency and beneficial ownership of legal persons LEA and FI access to registry to check control of legal persons.</p>	<p>25. Transparency and beneficial ownership of Legal arrangements 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.</p> <p>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.</p> <p>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.</p> <p>Key</p>	<p>37. Mutual legal assistance</p> <p>Widest range possible to other countries requests.</p> <p>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.</p> <p>Key</p>

APPENDIX C: Summary of FATF 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 MER results for PNG

2010 MER - 40 Recommendations

Legal systems		C
1. ML offense	PC	C
2. ML offense—mental element and corporate liability	PC	NC
3. Confiscation and provisional measures	PC	NC
Preventive measures		
4. Secrecy laws consistent with the Recommendations	LC	NC
5. Customer due diligence	NC	PC
6. Politically exposed persons	NC	PC
7. Correspondent banking	NC	PC
8. New technologies & non face-to-face business	NC	PC
9. Third parties and introducers	NC	PC
10. Record-keeping	PC	NC
11. Unusual transactions	NC	PC
12. DNFBP—R.5, 6, 8–11	NC	PC
13. Suspicious transaction reporting	PC	PC
14. Protection & no tipping-off	LC	PC
15. Internal controls, compliance & audit	PC	PC
16. DNFBP—R.13–15 & 21	NC	PC
17. Sanctions	NC	PC
18. Shell banks	NC	PC
19. Other forms of reporting	C	PC

Results were against the 40 + 9 Special Recommendations and were:

- ✓ Largely Compliant (LC) - 6
- ✓ Compliant - 2
- ✓ Partially Compliant (PC) - 19
- ✓ Non-Compliant (NC) - 22

2010 MER - 9 Special Recommendations

SR.I	Implement UN instruments	NC
SR.II	Criminalize terrorist financing	PC
SR.III	Freeze and confiscate terrorist assets	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

APPENDIX E: Photo Gallery

1. National Co-ordinating Committee



Launching of the NRA 2017 and the NSP 2017-2022 by Co-chairs Secretary Dr. Kwa (DJAG), Director Popoitai-BPNG-FASU and Acting Deputy Police Commissioner, Jim Andrews.

2. Trainings



FASU's Meagan Namaliu and AUSTRAC Analysts in one of the Analyst Exchange Programs (AEP) in Melbourne, Australia.



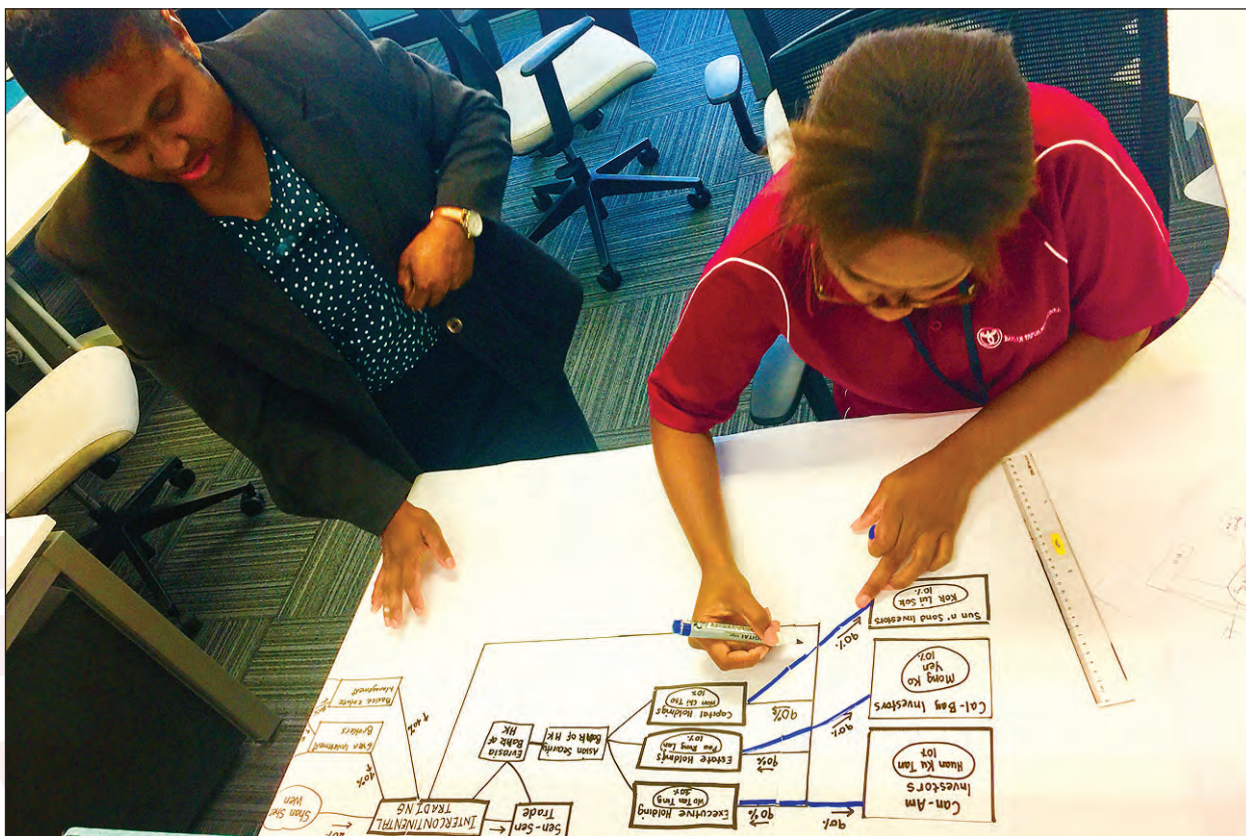
Participants from various NCC Member agencies attending the Mutual Evaluation Preparatory Workshop in Port Moresby, Papua New Guinea in November 2019.



Kila Guma from RPNGC displaying his certificate received during the final training in February 2019 at Airways Hotel, Port Moresby.



International participants and facilitators from INTERPOL with Mr. Wilson Onea, Deputy Director FASU during the closing ceremony of the INTERPOL training in February 2019, Port Moresby.



FASU's analysts, Ms. Sanga and Ms. Namaliu working on a group exercise in one of UNODC Intelligence Analysis Training in Port Moresby, FASU Conference Room



Mr. John Orabi from PNG Forest Authority giving a group presentation during UNODC Intelligence Analysis Training in Port Moresby in 2019.

3. MOU Signing



MOU signing between FASU and RPNGC. Pictured is Director-FASU Mr. Benny Popoitai, MBE and RPNGC's National Fraud & Anti-Corruption Directorate, Director Mr. Matthew Damaru, MBE, exchanging the signed MOUs.



MOU signing between FASU and Malaysia FIU. Pictured is Director-FASU Mr. Benny Popoitai, MBE and a representative from Bank Negara Malaysia, exchanging the signed MOUs.

4. Awareness and Education Sessions



Mr. Popoitai, MBE, Director FASU, speaking to participants from PNG's Insurance sector at the request of the Insurance Council.



FASU Team presenting the NRA findings to NCC member agencies during one of the awareness sessions in Lae International Hotel, April 2019.



FASU's Mr. Emete Enare speaking to students about AML/CTF during a visit to Busu Secondary School in Lae, Morobe Province, in 2019.



BANK OF PAPUA NEW GUINEA

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