



Asia/Pacific Group
on Money Laundering

MONEY LAUNDERING METHODS AND TYPOLOGIES WORKSHOP “THE USE OF FALSE IDENTITIES FOR MONEY LAUNDERING PURPOSES”

**BANGKOK, THAILAND
1–2 March, 2000**

PUBLIC SUMMARY REPORT

Introduction

A group of experts from twenty-three (23) jurisdictions and seven (7) international and regional organisations¹ met in Bangkok, Thailand on March 1 and 2, 2000. This Workshop was the third annual Asia/Pacific Money Laundering Methods and Typologies Workshop.

The Workshop participants were honoured to have an opening address delivered by His Excellency Major General Sanan Kajornprasart, Deputy Prime Minister of Thailand. In his address, the Deputy Prime Minister emphasized the need to establish effective contacts and to engage in close cooperation and information exchange between jurisdictions in order to be successful in the fight against money laundering.

The purposes of the Workshop were:

- To receive a report from the Working Group on Underground Banking and Alternative Remittance Systems and discuss the future work and direction of this group;
- To bring together knowledgeable law enforcement officers and other specialists concerned with the use of false identities for money laundering purposes, with special emphasis on financial institutions, electronic/internet transactions and offshore financial centres;
- To gain a better understanding of how false identities are used for money laundering purposes and what countermeasures are available;

¹ Australia, Canada, Chinese Taipei, Fiji, Hong Kong, China, India, Japan, Kingdom of Cambodia, Macau, China, Malaysia, New Zealand, Pakistan, Republic of Indonesia, Republic of Korea, Republic of the Philippines, Samoa, Singapore, Sri Lanka, Thailand, Union of Myanmar, United States of America, Vanuatu, Vietnam, Asian Development Bank, Egmont Group, Financial Action Task Force Secretariat, Interpol, South Pacific Forum Secretariat, United Nations Drug Control Program, World Customs Organisation.

- To determine any money laundering emerging trends or patterns within and between jurisdictions in the region and to consider appropriate countermeasures.

Workshop Highlights

1. Underground Banking and Alternative Remittance Systems

Following from the Second Asia/Pacific Money Laundering Methods Typologies Workshop, which concentrated on Underground Banking and Alternative Remittance Systems, the Workshop received a report from the Working Group on Underground Banking and Alternative Remittance Systems. The report, which was comprehensive and very informative, highlighted the following:

- The Working Group developed a "working definition" of Alternative Remittance Systems for purposes of conducting their project.
 - Alternative Remittance Systems are operated by entities (alternative remittance agents) for moving money (or other forms of stored value) between countries on behalf of customers who do not wish to directly use the "formal" banking system. There are two general types of alternative remittance systems:
 - Unregulated alternative remittance networks, or underground banking, involve a variety of methods through which funds (or value) are made available to a partner service in the recipient country as a result of a telephone call, telex, fax or request via the Internet. The funds may be transferred by physical transport of the cash, gold smuggling, false invoicing or other such means; and
 - Remittance services provided by alternative remittance agents through the regulated financial sector usually involving an attempt to conceal the nature of the transaction, such as structuring, the use of false bank accounts and/or sender details.
- The Working Group collected sixty-two (62) case studies from participating jurisdictions to assist in the development of information relevant to Underground Banking and Alternative Remittance Systems.
- A summary of the Working Group's findings were:
 - The movement of funds and value through Underground Banking and Alternative Remittance Systems involves both legitimate and illicit transactions.
 - Illicit transactions through Underground Banking and Alternative Remittance Systems were derived mostly from narcotics trafficking.
 - In the case studies submitted by the various jurisdictions, substantial sums of money, in excess of US \$7.5 billion, were detected as being channeled through Underground Banking and Alternative Remittance Systems.

- The ability to detect and successfully investigate money laundering through Underground Banking and Alternative Remittance Systems is hampered by a lack of understanding and experience in this area.
- There is a need to enhance training and develop other appropriate mechanisms to better understand, investigate and successfully prosecute money laundering offences using Underground Banking and Alternative Remittance Systems.
- As a result of the Working Group's report and subsequent discussion within the Workshop, there was agreement to a framework for the continued review of Underground Banking and Alternative Remittance Systems, to include:
 - The continued to collect case studies from interested jurisdictions.
 - The case studies, while providing a valuable foundation for understanding the problems associated with Underground Banking and Alternative Remittance Systems, do not provide all of the relevant information necessary to address money laundering through these systems and, therefore, it may be necessary to commission a comprehensive research paper to identify all issues related to money laundering through these systems, including the attractiveness of these systems as opposed to regulated banking systems.
 - Identify and then coordinate with, other jurisdictions and entities that may be conducting similar reviews of Underground Banking and Alternative Remittance Systems.
 - Identify the remaining policy and practical issues that require continued emphasis, including:
 - The need to understand the existing legal and regulatory framework with regard to these systems and determine what reforms may be necessary;
 - The need for increased compliance in the regulatory framework; and
 - The need for enhanced training and technical assistance in identifying, investigating and prosecuting money laundering using these systems.

2. The Use of False Identities for Money Laundering Purposes

The subject matter of special emphasis for the Third Asia/Pacific Money Laundering Methods Typologies Workshop was the use of false identities for money laundering purposes. During the Workshop, participants were asked to discuss jurisdictional experiences in this area. The Workshop received special presentations from two bank industry representatives. The discussions that ensued were constructive and resulted in an open and frank exchange of information and expertise.

The Workshop concentrated on:

- Understanding what constitutes the use of false identities, especially as it relates to the conduct of financial transactions; and, in particular, money laundering.
- Learning the experiences of jurisdictions that have identified illicit activities that, at least in part, made use of false identities to assist in the movement of funds.
- Discussing various countermeasures that are, or should be, available to address the issue of money laundering through the use of false identities, with a heightened emphasis on issues specific to regulatory, investigative and financial institution matters.
- Discussing how money laundering through the use of false identities can be investigated.
- Determining what information is needed by investigators, regulators, supervisors and prosecutors when conducting money laundering investigations involving the use of false identities.
- Determine what technical assistance and training skills are needed in order to detect, investigate and prosecute money laundering cases involving the use of false identities.

These issues were examined both by special presentations and by the sharing of jurisdictional experience that brought forth the following:

- Special presentations were made by Brendan Hewson, Bank of America, and Douglas Hopton, Barclays Bank PLC. These presentations provided useful information on the state of false identities being used to conduct transactions at financial institutions.
- Hong Kong, China, Japan, Korea, Malaysia and Thailand made presentations on their experiences with regard to the use of false identities in money laundering activities and the countermeasures that they are applying to address these matters, including the establishment of financial intelligence units.
- The special presentations, jurisdiction presentations and experiences and the Workshop discussion identified countermeasures which currently exist and countermeasures which are needed to continue to address money laundering through the use of false identities.
- The Workshop participants agreed that it would be useful to continue to exchange information on effective countermeasures and, as a result, that the Secretariat would compile a checklist of countermeasures and distribute it to all of the jurisdictions for comment and expansion.

3. Other significant money laundering methods and trends

The Workshop participants presented information on other matters of significance with regard to money laundering methods and trends. In particular, the Workshop received presentations from Canada and Pakistan.

- The representative from Canada presented a case study involving heroin trafficking organizations. He demonstrated the difficulties and complexities of an investigation that moved through many jurisdictions and required the use of numerous investigative techniques, including the interception of telephone communications and the tracing of the proceeds of the trafficking through various financial institutions.
- The representative from Pakistan presented a case study involving an individual who became involved in the trafficking of hashish to the United States and Canada which generated substantial amounts of drug proceeds. In order to legitimatise these drug proceeds, this individual used foreign exchange bearer certificates, a financial instrument issued by the Government, the Hundi system and transactions involving the purchase and re-sale of real estate.

The presentation of the case studies, as well as the Workshop discussion identified the continued existence of significant criminal activity, especially as it relates to drug trafficking, fraud and tax evasion, that generates substantial amounts of criminally derived funds that move through legitimate, as well as illegitimate, financial systems. This evidences the continued need for Typologies Workshops to address emerging trends in the movement of illicit funds.

The participants in the Workshop extended their gratitude to Thailand, and in particular to the Royal Thai Police and the Office of Money Laundering Prevention and Suppression for the arrangements they made in hosting the Workshop.

*Bangkok, Thailand
1-2 March 2000*