

# 行政院所屬各機關出國報告

(出國類別：開會)

15853

## 出席亞太經濟合作 (APEC) 會議

2014 年資深官員會議第一次會議 (SOMI)  
反恐工作小組會議 (CTWG)

出國人員	服務機關：行政院國土安全辦公室
	職 稱：科 長、研究員
	姓 名：任芝菁、蔡嘉珊
出國地區	大陸·寧波
會議期間	103.02.22-103.02.23
報告日期	103.03.10

EY5G

EY5G

# 目 錄

壹、前言.....	5
貳、出國任務.....	9
一、 出席會議.....	9
二、 出國紀要.....	9
參、會議內容.....	11
一、 會議背景與概要.....	11
二、 會議重點及結論.....	11
三、 與會觀察.....	14
四、 後續辦理事項.....	14
附錄：2014年 SOMI 反恐工作小組 (CTWG) 會議資料..	15

BY56

BY50

BY56

## 壹、前言

APEC 目前有 21 個會員體：澳大利亞、汶萊、加拿大、智利、中國、香港、印尼、日本、韓國、馬來西亞、墨西哥、紐西蘭、巴布亞紐幾內亞、秘魯、菲律賓、俄羅斯、新加坡、中華台北、泰國、美國及越南，成員均係以「經濟體」(Economy) 身分參與，此為 APEC 之特殊設計。另尚有「東南亞國家協會」(Association of Southeast Asian Nations, ASEAN)、「太平洋經濟合作理事會」(Pacific Economic Cooperation Council, PECC)及「太平洋島嶼論壇」(Pacific Islands Forum, PIF)三個國際組織為其觀察員。而 APEC 企業諮詢委員會 (ABAC) 的與會身分也正式於 2005 年身分由「來賓」(guest) 升格為「參與者」(participant)。

2012 年由印尼擔任主辦國，會議主題為：『重獲動能的亞太區域：全球經濟成長引擎』(Resilient Asia-Pacific engine of global growth)歷經 2008 年金融危機對全球經濟造成的重大影響後，印尼主張要達到「重獲動能的亞太區域」(Resilient Asia Pacific)成為全球經濟成長的引擎此一目標。因此，本次三大議題—達成茂物目標和社會公平的永續成長以及促進連結性，主要目標便是冀望強化區域經濟整合並促使 APEC 區域內的商業運作更加順暢。

三大優先議題為：

### 一、實現茂物目標 (attainment of the Bogor Goals)

印尼設定的三大優先領域，包括：

- (一) 支持多邊貿易體系；
- (二) 貿易暨投資自由化與便捷化，
- (三) 就 APEC 結構改革新策略(The APEC New Strategy for Structural Reform, ANSSR) 和 Leaders' Agenda to Implement Structural Reform (LAISR) 合作進行能

力建構。

## 二、達成公平的永續成長 (achievement of sustainable growth with equity)

為促進公平的永續成長，工作重點將包括重視女性就業，並促使其成為經濟長的引擎；提升中小企業的國際競爭力；加強糧食安全；以及促進創新並提倡綠色產業等等。

## 三、促進連結性(promotion of connectivity)

之下又分為促進實體連結(Physical Connectivity)、促進制度性連結 (Institutional Connectivity)、促進人與人連結 (People-to-People Connectivity)等三項子議題，並將著重於促進基礎建設發展與投資。

2013 年由中國大陸擔任主辦國，2013 年底召開 APEC 非正式官員會議(ISOM)，中國大陸在會上向 APEC 成員報告 2014 年主辦 APEC 的主題和優先議題。會議主題為「攜手亞太，共創未來」(Shaping the future through Asia Pacific Partnership)，三大優先議題為「推動區域經濟整合」(Advancing Regional Economic Integration)、「促進創新發展、經濟改革與成長」(Promoting Innovative development, Economic development and growth)，以及「加強全方位連結性與基礎建設發展」(Strengthening Comprehensive Connectivity and Infrastructure Development)。

會議且就落實去 (2012) 年 APEC 峇里島領袖會議成果、2014 年主要會議安排等問題進行討論。由於 ISOM 前夕中國大陸已針對議題舉辦 APEC 研討會(2014 APEC Symposium)，聚焦各會員體專家的建議，因此，在今年的會議主題與優先議題討論的重點，各會員體在原則上均表支持與期盼，討論重點簡述如下：

(一) 「推動區域經濟整合」(Advancing Regional Economic Integration):

中國大陸資深官員表示推動區域經濟整合為 APEC 主要任務，然而，近年來區域間風起雲湧的 RTA/FTA 產生所謂的義大利麵碗效應，加上全球價值鏈的發展對經濟成長與區域經濟整合的越來越重要，中國大陸將著重探討 APEC 在此議題的重點工作，同時，針對 APEC 可有所貢獻之處，提出建議合作的四大方向：

1. 亞太自由貿易區(FTAAP)：包括探討進一步區域整合的架構、下世代貿易與投資議題、推進削減關稅與非關稅障礙、強化資訊分享與能力建構以及深化部門別倡議等。
2. 支持多邊貿易體系與對抗保護主義：維持 WTO 中心性、推進 DDA 的談判完成、確保 FTAs/RTAs 作為多邊貿易墊腳石。同時，強調保護主義的威脅，深化協調與對話以及擴展 APEC 領袖的承諾。
3. 推進全球價值鏈與供應鏈合作：包括創造有利環境、強調跨境與境內議題、與其他國際組織密切合作、協助開發中國家與中小企業、強化 ECOTECH 與能力建構。
4. 促進投資自由化與便捷化：持續執行投資便捷化行動計畫(IFAP)、探討可持續的投資與企業社會責任等、APEC 亦可盤點以往針對投資所訂定的指導原則。

(二) 「促進創新發展、經濟改革與成長」(Promoting Innovative development, Economic development and growth)

中國大陸表示在全球經濟成長與復甦趨緩的情形下，各經濟體均面臨經濟結構調整的議題，如何運用創新的經濟發展與改革來改變由外貿導向的經濟成長模式是此議題的核心概念。

中國大陸並舉自身改革開放的實力，強調結構改革與知識為基礎的經濟發展，為應對社會經濟的巨大改變途徑。同時點出未

來可以加強合作的八大領域：

1.經濟結構改革；2.綠色經濟；3.創新成長；4.永續能源；5.城鎮化；6.糧食安全；7.藍色經濟；8.網路經濟。2014年應加強以能力建構活動，支持這些議題上的合作。

(三)「加強全方位連結性與基礎建設發展」(Strengthening Comprehensive Connectivity and Infrastructure Development)

中國大陸表示此議題為延續2013年印尼設定的重點工作，未來將持續推動APEC連結性架構與基礎建設投資與發展之後續工作，包括以下建議工作項目，但不僅限於此：1.全方位、多層次的亞太連結性。2.發展「APEC連結性架構」藍圖；3.APEC公私部門夥伴專家諮詢小組(PPP Experts Advisory Panel)以及設於雅加達的PPP中心。4.擴展亞太地區基礎建設投資發展與促進連結性的投融資。5.亞太基礎建設發展夥伴。6.連結性與基礎建設發展的區域金融合作。7.軟性基建合作：包括強化制度連結與法規合作。8.人與人的交流與旅遊便捷。9.促進跨境教育。10.APEC區域內學生交流的目標進展檢視。

BY56



## 貳、出國任務

### 一、出席會議

亞太經濟合作 (APEC) 會議

2014 年資深官員會議第 1 次會議 (SOM I) 之反恐工作小組 (CTWG) 會議。

### 二、出國紀要

#### 出國紀要

時間	工作行程
2/21 (五)	往程：台北出發至浙江寧波
2/22 (六)	反恐工作小組會議 (CTWG)
2/23 (日)	反恐工作小組會議 (CTWG)
2/24 (一)	返程：浙江寧波出發至台北

EY56

BY56

BY56

## 參、會議內容

### 一、會議背景與概要

本次會議由印尼籍 Harry Purwanto 大使(印尼國家反恐局負責國際合作事務副局長 Deputy for International Cooperation, The Indonesian National Counter-Terrorism Agency)，香港、日本、墨西哥、紐西蘭及泰國未派代表與會，本次亦無其他論壇或國際組織成員與會。

### 二、會議重點及結論

#### (一) 主席致詞

主席 Harry Purwanto 大使(印尼國家反恐局負責國際合作事務副局長 Deputy for International Cooperation, The Indonesian National Counter-Terrorism Agency)及美、澳、加、印尼等會員經濟體均盛贊反恐任務小組轉型為反恐工作小組，除表示與會會員經濟體積極參與外，亦表示亞太地區對反恐議題之重視及合作交流之密切。P 主席另於會議結束致詞時表示，主席任期將於本(103)年底結束，盼於本年 SOM3 會議中推舉下任主席，且本工作小組正式成立，需設置副主席，歡迎會員經濟體主動爭取。

#### (二) 報告事項

##### 2/22 日會議重點

##### ■ 主辦國：中國大陸

說明本年會議三大主軸：「推動區域經濟整合」、「促進創新發展、經濟改革與成長」及「加強全方位連結性與基礎設施發展」。

##### ■ APEC 秘書處報告內容如下：

秘書處報告本年僅有 9 個會員經濟體提交 CTAPs(Counter Terrorism Action Plans)，加拿大讚許秘書處分析 9 項 CTAPs 之努力，並建議進一步強化分析資料並進一步與 APEC 其他相關論壇分享。美國建議分享資

料時僅需列出 facts 即可，並獲澳洲贊同。

- 俄羅斯、印尼、加拿大、中國大陸、巴布亞紐幾內亞、菲律賓、智利、越南、韓國均分享 2013 年重要反恐工作之進展，摘要如次：

1. 韓國：網路安全議題已為區域重要安全議題，積極辦理相關研討會及活動，歡迎各會員經濟體積極參與。
2. 俄羅斯：俄羅斯已於今年完成反恐金融、打擊恐怖組織相關重要立法。
3. 加拿大：於今年完成製發效期 10 年之生物辨識特徵護照，提升其旅行文件之安全。
4. 印尼、菲律賓、越南均表示於反恐金融方面將持續加強。
5. 中國大陸發言希望於本年內可提出 CTAPS。
6. 巴布亞新幾內亞：過去並未提出 CTAPS，刻正在本論壇中汲取各會員經濟體之經驗，希望能盡速提出相關計畫與 APEC 接軌。

- 加拿大說明 2013 年在馬來西亞及智利辦理重大活動維安架構工作坊情形，感謝協助及參與之會員經濟體，工作坊相關研討與執行情形已上傳 APEC 官方網站，密碼及相關資料已提供各會員經濟體參考，歡迎各會員經濟體持續更新資料、提出相關議題研討。

- 美國提出：(一)關鍵基礎設施防護與復原計畫為經費自籌計劃，盼於本年春季徵獲共同主辦會員經濟體，並於本年夏季或秋季在共同主辦會員經濟體舉行工作坊。澳洲、加拿大、俄羅斯均表示支持本項計畫。(二)新型支付系統反恐安全計畫，盼於本年春季徵獲會員經濟體，於夏季辦理本項計畫工作坊。

## 2/23 日會議重點

- 第九次貿易安全會議(STAR IX)將併入第三次資深官員會議於本年8月在哈爾濱舉行，由中國大陸、俄羅斯與印尼共同主辦，會議主軸為 People to People Connectivity，議程規畫分為五場次，主要將聚焦旅行安全、貨櫃運輸安全，將邀公私部門共同參與，俄羅斯將於會中聚焦討論其貨櫃安全倡議。美國及澳洲均表達支持，美國並表示願意協助檢視(review)會議中可能提出之各項計畫。俄羅斯代表補充說明有意邀請相關國際組織參與本項會議。
- CTWG 秘書處報告遠距會議平台已進入測試階段，歡迎各成員體運用，強化橫向聯繫與意見交換。
- 美國代表指出，美國將於近期內在國務院網站刊出 Country Reports on Terrorism，歡迎各會員經濟體參考。

BY 56

### 三、與會觀察

- (一) 中國大陸於歷次會議中鮮少於本工作小組中主動發言，惟可能因為今年擔任 APEC 主辦國，與會人員層級提高，且主動說明有意提交 CTAPs，但中國大陸對於多邊合作反恐是否將積極參與，仍待後續觀察。
- (二) 本次會議為本年第一次資深官員會議，討論開始之際成員態度保守，然美國提出新型支付系統安全及關鍵基礎設施防護與復原計畫後，數個會員經濟體於會中及會後表達支持，職等亦向美方表達積極參與之意，美方代表(國務院官員)表示歡迎，同意向美國土安全部說明，並請我方對上述兩項計畫提出建議。
- (三) 職等向 CTWG 主席 P 大使提出建議，可考慮邀請 EPWG(緊急應變工作小組)成員至本工作小組分享經驗，或可於未來共同辦理半日會議。
- (四) 職等於會後向美國及澳洲代表詢問 CTWG 下任主席及副主席可能人選，美國未表示意見，澳洲代表則明確表示，該國無意擔任主席，並考慮建議副主席採各會員經濟體輪流擔任，以強化各國參與，美國代表對此議表示歡迎。

### 四、後續辦理事項

- (一) 持續關注本年 8 月第九次貿易安全會議確定議程及會議文件(預訂於本年 SOM2 期間提出)。
- (二) 持續觀察各會員經濟體對本工作小組下任主席及副主席可能人選之立場。
- (三) 注意美國提出兩項計畫之發展及執行情形，爭取成為共同倡議者，並研議未來辦理工作坊之可行性。
- (四) 請外交部研設會於本年第 2 次資深官員會議前提交我國反恐行動計畫 (CTAPs)。

BY50

**附錄：2014 年 SOMI 反恐工作小組 (CTWG) 會議資料**

BY50







**Asia-Pacific  
Economic Cooperation**

---

**2014/SOM1/CTWG/001**  
Agenda Item: 2

## **Draft Agenda**

Purpose: Consideration  
Submitted by: CTWG Chair



**1<sup>st</sup> Counter-Terrorism Working Group Meeting**  
**Ningbo, China**  
**22-23 February 2014**

**DRAFT  
Annotated Agenda**

**1st APEC Counter Terrorism Working Group (CTWG) Meeting  
22- 23 February, 2014, Ningbo-China**

**DAY ONE**

**09:00 – 18:00**

1. **OPENING REMARKS**  
Welcome remarks by the CTWG Chair.
  
2. **ADOPTION OF THE FINAL ANNOTATED AGENDA**  
CTWG members will review and adopt the proposed final draft annotated agenda and the 30th CTTF meeting Summary Report.
  
3. **REPORT ON INTERSESSIONAL ACTIVITIES AND CTTF ACHIEVEMENTS DURING 2013.**  
The CTWG Chair will report on his activities since the last CTTF meeting held in Medan, Indonesia in 2013.  
  
Indonesia will present a review of CTTF achievements during APEC year Indonesia 2013.
  
4. **SECRETARIAT ISSUES AND ONGOING TASKS**  
The APEC Secretariat will update on project management issues, ongoing tasks and APEC developments.
  
5. ✓ **CHINA 2014 PRIORITIES**  
P.R. China will brief on APEC 2014 Priorities
  
6. **CTWG WORK PLAN 2014 and CTWG STRATEGIC PLAN**  
The CTWG members will discuss and endorse the proposed CTWG Work Plan 2014 considering the APEC 2014 priorities.  
  
The CTWG members will discuss on the CTWG Strategic Plan 2013 -2017 and will have an opportunity to propose new activities considering the APEC 2014 priorities.
  
7. **COUNTER-TERRORISM ACTION PLAN (CTAP)**  
The Secretariat will report on 2013 CTAP Summary Report.  
  
CTWG Members will have an opportunity to present 2013 CTAP updates.  
  
The Russian Federation will provide an update on changes in the national Counter Terrorism legislation.

8. IMPLEMENTATION OF THE CTWG WORK PLAN and THE COUNTER-TERRORISM AND SECURE TRADE STRATEGY'S CROSS-CUTTING ACTIVITY AREAS

The CTWG Chair will request members to provide updates on ongoing projects and new proposals.

Secure Supply Chains

The United States will update members on the joint CTWG/TPTWG/SCCP Trade Recovery Project.

The Russian Federation will update on its proposal for holding a thematic discussion on Container Transportation Security.

Secure Travel

The United States will update on the joint BMG/CTWG/SCCP projects to Develop Trusted Traveler Characteristics and Develop Best Practices on Implementing Advance Passenger Information Systems.

The United States will update on its proposal for follow on bus security training.

Indonesia will report on outcomes of the High-Level Policy Dialogue on Travel Facilitation held in Bali on 1-2 October 2013.

The Russian Federation will report on the existing threats in the sphere of transport security and relevant changes in the national legislation.

Secure Finance

Australia will report on self-funded project 'Designated Non-Financial Businesses and Professions (DNFBPs)'.

The Russian Federation will update on its initiatives in the Financial Action Task Force (FATF).

> Secure Finance workshop on Countering the Financing of Terrorism with New Secure Infrastructure  
Canada will report on outcomes of the 'Major Events Security Framework Workshop' held in Santiago of Chile in October 2013. *payment systems*

The United States will present a proposal for a self-funded workshop in 2014 on Secure Infrastructure: 'Critical Infrastructure Security and Resilience'.

**DAY TWO**

**09:00 –13:00**

9. **SECURE TRADE IN APEC REGION (STAR) CONFERENCE**  
Indonesia and China will update members on the organization of the STAR IX Conference.
  
10. **ACTIVITIES IN OTHER INTERNATIONAL FORA**  
CTWG members and invited guests will provide, on a voluntary basis, presentations on relevant activities and measures related to countering terrorism as well as presentation by international fora.
  
11. **OTHER MATTERS and NEXT MEETING**  
Members will agree on the next CTWG meeting in 2014.
  
12. **MEETING DOCUMENTS**  
The APEC Secretariat will check with members the list of meeting documents for public or restricted access.
  
13. **CLOSING REMARKS**  
Closing remarks by the CTWG Chair.



**Asia-Pacific  
Economic Cooperation**

---

2014/SOM1/CTWG/002

Agenda Item: 2

## **Summary Report - 30th Counter-Terrorism Task Force Meeting**

Purpose: Information  
Submitted by: CTWG Chair



**1<sup>st</sup> Counter-Terrorism Working Group Meeting  
Ningbo, China  
22-23 February 2014**

**Summary Report**  
**30<sup>th</sup>APEC Counter-Terrorism Task Force Meeting**  
*28-29 June, 2013, Medan-Indonesia*  
**Executive Summary**

1. During this third CTTF meeting of 2013, members endorsed the revised version of the CTTF Strategic Plan 2013-2017 to be submitted to the Steering Committee on ECOTECH (SCE). The endorsed draft incorporated members' inputs received during the meeting.
2. Members also endorsed the paper that recommends upgrading the CTTF to a working group (CTWG). The Secretariat will submit the endorsed paper to SCE and SOM for consideration. Members were encouraged to contribute intersessionally to the drafting of the new CTWG Terms of Reference for submission to SCE.
3. CTTF members were requested to send inputs to the Chair for the CTTF contributions to the 2013 APEC Minister's and Leader's Statements. CTTF Friends of the Chair Group (FoTC) gathered to discuss ideas and suggestions on the tasks and upcoming challenges for the group in 2014 and beyond.
4. CTTF members received reports by the Chair and the Secretariat on intersessional work and activities undertaken since the last meeting held in Surabaya at SOM2, which included among other items, progress on the drafting of the CTTF Strategic Planning, CTTF review of Independent Assessment final report, and drafting the CTTF paper recommending the CTTF be upgraded to a permanent working group.
5. Members received presentations from Mr John Keogh, GS1 and ABAC member, on safe and secure supply chains and global counterfeiting as well as a presentation by Mr Neil Klopfenstein, Executive Secretary of Inter-American Committee Against Terrorism (OAS- CICTE) regarding CICTE's workplan and potential collaboration with the CTTF in areas of mutual interest, such as supply chain security.
6. Members welcomed reports on projects and initiatives delivered intersessionally on implementation of the CTTF Work Plan and the APEC Counter-Terrorism and Secure Trade Strategy. Members were requested to send inputs to the CTTF Chair to prepare the annual progress report on implementation of the Counter Terrorism-Secure Trade Strategy to CSOM.
7. Indonesia proposed the STAR IX Conference to take place in China on the margins of SOM meetings in 2014. P.R. China briefed on the next CTTF Meeting in 2014 in SOM1 (TBA) during APEC year in China.

The 30th CTTF meeting was preceded by the APEC CTTF Policy Dialogue on Secure Infrastructure in the Asia-Pacific Region held on 27 June 2013 (SOM3), organized by the U.S. and Canada. The dialogue produced recommendations for capacity building in this area.

**Summary Report**  
**30<sup>th</sup> APEC Counter-Terrorism Task Force Meeting**  
*28-29 June, 2013, Medan-Indonesia*

The 30th meeting of the APEC Counter-Terrorism Task Force (CTTF) was held in Medan, Indonesia on 28-29 June, 2013 in the margins of SOM3. The meeting was chaired by Ambassador Harry Purwanto (Indonesia) with the participation of 16 member economies (all except Hong Kong China, Japan, Korea and Mexico). Non-member participants invited to the meeting were Mr John Keogh, GS1 and ABAC member, and Mr Neil Klopfenstein, Executive Secretary of Inter-American Committee Against Terrorism (OAS- CICTE).

The 30th CTTF meeting was preceded by the APEC CTTF Policy Dialogue on Secure Infrastructure in the Asia-Pacific Region held on 27 June (SOM3) organized by the U.S. and Canada. The three themes included in the dialogue for discussion were: i) *Secure Infrastructure Approaches, Policies and Processes*; ii) *Bringing Resilience into Regional Security*; iii) *Furthering Secure Infrastructure and Resilience through Cooperation*.

**OPENING REMARKS: CTTF CHAIR'S REPORT ON INTERSESSIONAL ACTIVITIES AND APEC SECRETARIAT BUSINESS**

**CTTF Chair, Ambassador Harry Purwanto** welcomed CTTF members to the third meeting of 2013. He acknowledged terrorism as a continuous threat to all economies, people and supply chains in Asia Pacific and that upgrading the status of the CTTF to a working group will enhance the opportunities to increase APEC's capacity for enhancing secure trade and travel throughout the region. He also highlighted the important role and contributions of CTTF to specifically counter terrorism in the region. The Chair remarked on CTTF intersessional work undertaken since last meeting in Surabaya, which includes the drafting of the CTTF Strategic Plan 2013-2017 and the paper recommending CTTF's upgrade to a permanent working group.

Ambassador Purwanto also encouraged members to finalize all the pending matters to ensure valuable outputs for the Concluding SOM meeting and for the upcoming APEC summit. He underlined three important pending matters that needed to be discussed and finalized, including the working group's new Terms of Reference, the Strategic Plan and the contribution for the Leaders' declaration. The Chair thanked all members and the Secretariat for supporting the intersessional work that contributed to the preparation of the meeting. He also congratulated China, which will host the next CTTF meeting and expressed his commitment to work closely with the host economy in his capacity as CTTF Chair during 2014.

The Chair welcomed the Mayor of Medan City, Mr Dzumi Eldin, who offered welcoming remarks to CTTF members. Mr Dzumi Eldin remarked that Indonesia and particularly Medan City realize that peace and public order are a vital element in achieving development. He also expressed that some relevant CTTF subjects should be coordinated within the framework of global and intra-regional cooperation. He pointed out that terrorism, as a cross-border organized crime, should be tackled by using a comprehensive approach, involving citizens.

Ambassador Harry Purwanto also welcomed the distinguished non-member participants invited to present at the meeting; the Executive Secretary of Inter-American Committee Against Terrorism (OAS- CICTE) Mr Neil Klopfenstein and GS1/ABAC member Mr John Keogh.

CTTF members reviewed and endorsed the draft annotated agenda for the 30th meeting and the Summary Report of the 29th Counter Terrorism Task Force Meeting provided by the Secretariat. CTTF members expressed to the Chair their great appreciation for hosting three CTTF meetings and events during 2013 and for the Indonesian hospitality.

The APEC **Secretariat** reported on ongoing tasks and intersessional work undertaken by the group since the last CTTF meeting held in Surabaya in April 2013. In coordination with the CTTF Chair, the CTTF Strategic Plan 2013-2017 draft was distributed to members for consideration and to collect their inputs. Members of the Friends of the Chair provided valuable feedback on the draft, which was circulated twice for members' review. During the same period, the Secretariat distributed the paper recommending the CTTF's upgrade to a working group for members' review intersessionally.

Regarding the STAR IX conference, Indonesia informed the Secretariat in April about the plan to hold the conference during the P.R. China's host year. Based on CTF's contribution to the APEC Leaders' 2013 Declaration, the Secretariat encouraged members to send ideas for STAR IX to the CTF Chair. The Secretariat also shared for members' reference the document titled, APEC Secretariat Report on Key Developments of June 2013. The Secretariat's report also included project management updates.

### **CTTF 2013 INDEPENDENT ASSESSMENT**

The APEC Secretariat provided an update on the CTF independent assessment process. After the last meeting in Surabaya, the Friends of the Chair Group reviewed the draft report of the independent assessment conducted by Mr. John Platts and sent their written feedback to the Secretariat. Mr. Platts was very grateful for these suggestions and tried to reflect them in his final report. In May, the Secretariat circulated to members the CTF Independent Assessment Final Report, which was also printed out for the present 30<sup>th</sup> CTF meeting.

### **STRATEGIC PLANNING PROCESS**

The CTF Chair updated members on the last version of the CTF Strategic Plan 2013 -2017 for members' review and endorsement. Members gave some suggestions to the draft and eventually endorsed the revised version that incorporated members' inputs received during the meeting. Members agreed that the CTF strategic plan will be a 'living document', open to additional member input as well as new initiatives and events accommodated within its framework. They also agreed to submit the final document to the Steering Committee on ECOTECH (SCE) meeting in Medan through the Secretariat.

### **COUNTER-TERRORISM ACTION PLAN (CTAP)**

The Secretariat reminded members to submit their updates on individual CTAPs in order to prepare the 2013 CTAP Summary Report which includes data on capacity gaps and opportunities shown in different charts. The Chair encouraged members to send the updates to the Secretariat as soon as possible and by the deadline of October 1, 2013.

The United States remarked that it would be most useful for this process to receive as many CTAPs updates as possible and added that the U.S. and Canada found the information from the last year's CTAP Summary Report very valuable for developing and implementing the Policy Dialogue on Secure Infrastructure in the Asia-Pacific Region held in Medan the previous day.

### **IMPLEMENTATION OF THE CTF WORK PLAN AND THE APEC COUNTER-TERRORISM AND SECURE TRADE STRATEGY'S CROSS-CUTTING ACTIVITY AREAS**

The CTF Chair invited CTF members to provide updates on projects and activities proposed for 2013.

Members expressed their support for the process for producing the annual progress report on implementation of the Counter Terrorism-Secure Trade Strategy and agreed to send inputs to the CTF Chair to prepare the upcoming progress report for the approval of APEC Senior Officials.

#### **Secure Supply Chains**

Under Secure Supply Chains, the United States updated members on the joint CTF/TPTWG/SCCP Trade Recovery Project that has its background in the 2006 Leader's Declaration that identified the importance of trade recovery from terrorism or major natural disasters. The project which has been developed in coordination with the World Customs Organization to establish an information sharing platform system was submitted to APEC by TPTWG and did not receive approval for funding in BMC session 1 due to lack of APEC funding, but it is still eligible for consideration. The next steps for TPTWG will be to explore new sources of funding.



**The Russian Federation** briefed on its proposal for holding a thematic discussion on Container Transportation Security. Russia remarked that the format will be similar to the Policy Dialogue on Secure Infrastructure in the Asia-Pacific Region held in Medan the previous day. Russia expects that participants of the dialogue will be not only from CTTF but also from other APEC sub fora such as TPTWG, the SCCP, and international organizations such as WTO, UNODC, CICTE and representatives from the APEC business community. Russia will deliver more details and updates on this dialogue intersessionally through the Secretariat and during the first CTTF meeting in China. Members expressed their support for the Russian initiative to organize this dialogue.

**Mr John Keogh** of GS1 and ABAC members shared his presentation on safe and secure supply chain and global counterfeit.

### Secure Travel

Under Secure Travel **the United States** presented the Summary Report with outcomes of the self-funded project Aviation Security: Low Cost/ No cost Security and Checkpoint Optimization Capabilities Workshop, led by the TPTWG, held on May 14-15, 2013 in Bangkok. The U.S. encouraged all members who participated in the workshop to submit their evaluation forms. **Thailand** also remarked the positive outcomes of the workshop and highlighted the participation of the Minister of Transport of Thailand.

**The United States** provided an update on two projects the BMG is leading in coordination with the CTTF and SCCP. The Trusted Traveler project is aimed at developing consensus on traveler characteristics that should form the basis of trusted traveler programs. The other project is focused on development a lessons learned document on the challenges economies face in implementing Advanced Passenger Information systems. Both projects are part of the APEC Travel Facilitation Initiative.. BMG members have received questionnaires regarding trusted traveler characteristics for completion intersessionally. The U.S. will draft a report based on the responses and circulate it to the BMG, CTTF, and SCCP for review and approval. Once the report is approved, the U.S. will consider related capacity building workshops and training sessions.

**The United States** shared the "Overview of Evaluations from the 3rd APEC Aviation Security Canine Screening Workshop, held in Auckland, New Zealand, in March 18-19, 2013. The U.S. remarked that the strong majority of the workshop participants said that their understanding of using canine units for aviation passenger screening was substantially improved. The participants also said that their understanding of the requirements for establishing an aviation security canine screening program was substantially improved, as well as canine training and other significant benefits of this kind of program.

**The United States** also presented its project proposal for follow-on bus security training based on the positive outcomes of the first workshop on bus anti-terrorism held in Manila in July 2012. The 'Joint APEC CTTF/TPTWG Bus Anti-Terrorism Follow-On Workshop: *Expanding and Sharing Best Practices*' will focus on: i) Information Sharing; ii) Case study presentations on the operational and policy aspects of bus security; and iii) Developing and disseminating a formal bus security experts list. The workshop will be held in the late spring or early summer of 2014 (dates and venue TBA).

**The Russian Federation** expressed its appreciation and support for the U.S. proposal, recognizing that land transportation security is vulnerable in APEC economies and that the proposal reflects CTTF commitment to ensure a comprehensive transportation security in the APEC region. The Russian Federation shared with members a presentation on information support of transport complex safety against acts of unlawful interference in the Russian Federation.

**Indonesia** briefed on the High-Level Policy Dialogue on Travel facilitation to be held in Bali on 1-2 October 2013". The dialogue led by the Tourism Working Group (TWG) involves the Business Mobility Group (BMG), Counter-Terrorism Task Force (CTTF) and the Sub-Committee on Customs Procedures (SCCP). The dialogue background comes from the 2011

Leader's Declaration on Travel Facilitation Initiative which aims to make travel in the region faster, easier and more secure. The dialogue carries and reflects the theme of APEC 2013: "Resilient Asia Pacific, Engine of Global Growth", particularly one of the three priorities namely Promoting Connectivity. The dialogue expects high level participation, including ministers from APEC economies responsible for travel facilitation, tourism, transportation, immigration and custom, as well as participants from international organizations including UNWTO, WTTC, PATA and IATA. The four main topics are: Visa Facilitation, Advance Passenger Information, Trusted Travel Program and Tourist Friendly Airport. CTF members supported Indonesia's organization of this high-level policy dialogue.

### Secure Finance

Under Secure Finance **Australia** reported CTF members on Designated Non-Financial Businesses and Professions (DNFBPs) project held on 21-22 May 2013 in Jakarta, Indonesia. Australia led an APEC Counter Terrorism Task Force (CTTF) capacity building workshop in Jakarta to address some of the key challenges faced by Indonesia in its efforts to protect non-financial businesses and professions (DNFBPs) from terrorist financing. Workshop participants developed a better understanding of how to effectively enforce regulation and adopt reporting measures that can help protect the DNFBP sector from abuse by terrorism financiers. A similar workshop will be held in the Philippines in late 2013. Australia aims to disseminate an APEC-wide report in September 2013, which will be followed by a second capacity building workshop in conjunction with the Philippines in late 2013 (TBA).

**Indonesia** expressed its appreciation for Australia's initiative to conduct this workshop in Jakarta and remarked that stakeholders who participated particularly from the financial sector regarded this capacity building event as very useful.

**Indonesia** briefed on the national development of Anti Money Laundering/ Countering Financing Terrorism (AML/CFT). **Russia** expressed its appreciation for Indonesian efforts with the aim to developing a national AML/CFT system and expressed its congratulations to other three APEC economies (Brunei Darussalam, the Philippines and Thailand) for their consistent efforts to improve national AML/CFT systems.

**The Russian Federation** updated on its initiatives in the Financial Action Task Force (FATF). Russia will be chairing this task force for one year started 1<sup>st</sup> July 2013, with the vice-presidency of Australia. Russia updated on the ongoing project presented to FATF on detection of illegal financial flows linked to drug production and trafficking and thanked member economies for their support. The purpose of this initiative is to get data on financial flows resulting from drug trafficking through identifying bank transactions, front companies and beneficiaries of money transfers, as well as other relevant information, which will help to reveal and eventually undermine the drug industry's management system.

### Secure Infrastructure

Under Secure Infrastructure, **Canada** reported the outcomes of the APEC-funded workshop of Major Events Security Planning held on 10-12 June in Kuala Lumpur, Malaysia. Thirty-one representatives from fifteen APEC economies participated, including both security planners from a range of departments and counterterrorism officials from ministries of foreign affairs. The objective of the workshop was for economies to provide input on the content and design of the Major Events Security Framework (MESF), a planning tool that Canada has developed and is now adapting for use by APEC economies. Workshop participants tested a prototype of this framework; their input, including broader discussions on best practices, will be incorporated into the final version, which will be further tested and finalized at the second workshop in Santiago, Chile. Canada encouraged all economies to send inputs for the MESF and to participate in the second workshop in in Santiago of Chile on 28-30 October 2013. **Chile** extended invitation to all member economies to attend the workshop that is organized by the "Inter American Committee against the Terrorism, (CICTE)" of the Organization of American States (OAS) in cooperation with the "United Nations Interregional Crime and Justice Research Institute", (UNICRI) the Minister of Interior and Public Security of Chile and the Chilean police.

Members expressed their appreciation and support to Canada for organizing the workshop in Chile.

**The United States and Canada** reported on the outcomes of the CTTF Policy Dialogue on Secure Infrastructure in the Asia Pacific Region, held in Medan on 27 June 2013. The dialogue gave members the opportunity to ask questions about and share information regarding their policies, practices, and plans on secure and resilient infrastructure, which is essential for secure finance, travel, and supply chains. Additionally, it gave the chance to identify a number of capacity building opportunities and gaps that APEC economy members can address in future workshops related to the topic.

**Russia** expressed its appreciation for Canada's and the U.S.'s initiative to conduct this dialogue that addresses a crucial topic in the APEC region, and encouraged member economies to maintain the momentum by supporting and participating in future dialogues related to the same subject.

The themes for the discussion were:

***Discussion Theme 1: Secure Infrastructure Approaches, Policies and Processes*** to provide an overview of infrastructure protection and resilience activities in the region in order to help enhance understanding of regional approaches, practices, and challenges to secure infrastructure, and promote a set of common capacity building priorities in the area of secure infrastructure.

***Discussion Theme 2: Bringing Resilience into Regional Security*** to evaluate regional activities and identify potential opportunities for addressing gaps in existing critical infrastructure protection and resilience activities with the purpose of helping APEC work toward an integrated approach to critical infrastructure protection and resilience in support of a secure environment, including by addressing interdependencies and cascading impacts.

***Discussion Theme 3: Furthering Secure Infrastructure and Resilience through Cooperation*** to discuss how APEC sub-fora can engage most effectively within APEC and with the private sector to promote "physical connectivity" that supports economic growth and enhanced regional critical infrastructure protection and resilience.

## **SECURE TRADE IN APEC REGION (STAR) CONFERENCE**

**Indonesia** updated members on the plan to organize the STAR IX Conference proposing this conference to take place in China on the margins of SOM meetings 2014. To develop this initiative Indonesia will present a project for APEC-funding.

## **ACTIVITIES IN OTHER INTERNATIONAL FORA**

Mr John Keogh, GS1 and ABAC member made a presentation on safe and secure supply chain and global counterfeiting. Regarding ABAC Commissioned Report he highlighted that ABAC has completed thorough analysis and proposes capacity building workshops aligned to the identified supply chain chokepoints blending policy with action for improved shared outcomes. ABAC proposed the re-use of industry driven product data and global product data standards to enable a more rapid achievement of improved outcomes for all stakeholders that will support the achievement of the Bogor Goals.

Mr Neil Klopfenstein, Executive Secretary of Inter-American Committee Against Terrorism (OAS-CICTE) presented an overview of CICTE's work plan, and discussed potential collaboration with the CTTF in areas of mutual interests such as in: Maritime Security; Trade Facilitation and Supply Chain Security; Cyber Security; and Major Events Security. CTTF Members agreed to enhance collaboration and information sharing with CICTE.

**Viet Nam** reported on upcoming joint projects in the framework of the ASEAN-Japan Dialogue on Counterterrorism. A project proposal will be submitted to ASEAN Senior Officials Meeting on

Transnational Crime in July for approval. The objectives of this project include: i) Sharing experiences among ASEAN countries in building the capacity of civil security employees and self-employed/community guards to prevent and respond to terrorist attacks; ii) Generating discussion on possible solutions to strengthen the capacity of civil security employees and self-employed/community guards to prevent and respond to terrorist attacks, especially from a private public partnership perspective. The seminar is intended to be held from 8th to 9th October in Vietnam.

#### **OTHER MATTERS**

Members discussed the CTTF's contributions to the 2013 APEC Minister's and Leader's Statements. CTTF members were requested by the Chair to send suggested inputs electronically.

The CTTF Chair provided an update on the revised CTTF ToR paper recommending the upgrading of CTTF to a permanent working group for submission to the Steering Committee on ECOTECH (SCE) meeting in Medan. Friends of the Chair Group (FoTC) gathered to discuss ideas and suggestions on the current tasks and challenges in 2014 and beyond. Regarding the upgrade of the CTTF, members agreed to call the group the 'Counter Terrorism Working Group (CTWG)'.

Members were encouraged to contribute intersessionally to the drafting of the new CTWG Terms of Reference for submission to SCE.

#### **NEXT MEETING**

P.R. China updated on the next CTTF meeting to be held in 2014 in the margins of SOM1, most probably after the Chinese New Year (TBA). The Chinese Organizing Committee for APEC year 2014 is studying the schedule of meetings and the details of the APEC year which will be announced as soon as possible.

#### **CLOSING REMARKS**

The Chair thanked all members and the Secretariat for the support and valuable contributions to the discussion during the meeting. He specially thanked the Friends of the Chair Group (FoTC) for its active support for the CTTF's work.



**Asia-Pacific  
Economic Cooperation**

---

**2014/SOM1/CTWG/020**

Agenda Item: 3

## **CTWG Terms Of Reference (TOR)**

Purpose: Information  
Submitted by: CTWG



**1<sup>st</sup> Counter-Terrorism Working Group Meeting  
Ningbo, China  
22-23 February 2014**

## APEC COUNTER TERRORISM WORKING GROUP (CTWG)

### TERMS OF REFERENCE (TOR)

#### Introduction

APEC member economies recognize that creating a secure environment for economic activity is an important part of any strategy for regional growth and prosperity. APEC plays a valuable and constructive role in helping to: protect the economic systems of the Asia-Pacific region from attack, disruption, and misuse; protect the flow of legitimate trade and travel from compromise; and promote human security and a safe business environment.

In October 2001, following the terrorist attacks in the United States on September 11, APEC Leaders in Shanghai issued a Statement on Counter-Terrorism underlining that terrorism was a direct challenge to APEC's vision of free, open and prosperous economies, and to the fundamental values that APEC members hold. Leaders built on their commitments and instructions in a further Statement on Fighting Terrorism and Promoting Growth in 2002 in Los Cabos. APEC's Counter Terrorism Action Plans (CTAPs) were developed based on the 2002 APEC Leaders' Statement and incorporate relevant security-related elements of subsequent annual Leaders' and Ministers' statements. CTAPs provide a concise checklist of counter-terrorism measures undertaken by an APEC member economy to achieve the key elements of the Secure Trade in APEC Region (STAR) initiative. The CTAPs are a useful tool that provides an opportunity for member economies to take stock of their efforts, to respond to Leaders and Ministers' directions and to highlight capacity-building needs to implement these commitments. APEC Ministers, including sectoral Ministers, have also supported Leaders' commitments and instructions on countering terrorism in their ministerial statements and activities.

Bearing in mind Leaders' instructions to monitor progress and build capacity in counter-terrorism, APEC Senior Officials established an APEC Counter-Terrorism Task Force (CTTF) in May 2003. Since then CTTF's mandate has been extended five times.

In November 2009 Senior Officials reinforced the CTTF's mandate to include a particular focus on strengthening business resilience and the participation of the business sector to protect business, trade and economic growth from disruption. In November 2011, APEC Ministers endorsed the APEC's Consolidated Counter-Terrorism and Secure Trade (CT-ST) Strategy that underpin CTTF's efforts over at least the next following five years.

Recognising that threat of terrorism has a long-lasting nature and the CTTF's valuable and constructive role in helping to protect the economic systems in the region from disruption, APEC Senior Officials endorsed the proposal to upgrade the task force into a working group in July 2013.

#### Mission

The Counter Terrorism Working Group's mission would thus be to:

- build capacity in the region to mitigate, prepare for and respond appropriately to the threat posed by terrorism, including by building business resilience and fostering private-public partnerships to protect business, trade and economic growth from disruption; and
- Improve coordination and enhance intra-APEC cooperation and integration of best practices on counter terrorism preparedness and response efforts in APEC.

The CTWG's annual priorities, projected activities and outputs will be outlined in its annual workplan, which will be reported to Senior Officials through the SCE Fora Report, and where appropriate, to Ministers and Leaders.

### **Medium-Term Objectives and Priorities**

According to the APEC Consolidated CT-ST Strategy, the CTWG will implement its work based on the three CT-ST fundamental pillars: security, efficiency and resilience, particularly on its four cross-cutting work streams: Secure supply chains; secure travel; secure finance and secure infrastructure. In accordance with the CT-ST strategy and annual directives of APEC Leaders and Ministers, the Working Group's objectives and priorities for 2013-2017 (in accordance with its strategic plan) would be:

1. Advance security, efficiency and resilience in the Asia Pacific region through activities in the four cross-cutting areas of CT-ST Strategy: secure supply chains, secure travel (including through the Travel Facilitation Initiative 'TFI'), secure finance and secure infrastructure;
2. Effectively implement Leaders' commitments and Minister' instructions;
3. Identify key counter-terrorism and secure trade challenges facing APEC economies, including through the Counter Terrorism Action Plans (CTAPs);
4. Build capacity in ways that serve to both secure and facilitate regional commerce, taking into account differing capacities across the region and employing new approaches and multi-stage, multi-years initiatives;
5. Foster whole-of-government approaches within APEC economies, as well as enhance cooperation and coordination among economies and relevant APEC sub-fora; and
6. Strengthen cooperation with the private sector and with relevant multilateral organizations

### **Structure and Organisational Arrangements**

The CTWG will be managed by a Chair and Vice Chair (calendar years) on a rotation basis in accordance with the APEC "Guidelines for Lead Shepherd/Chair and Deputy Shepherd/Chair of APEC Working Groups and SOM Task Forces". The CTWG will be assisted by the Secretariat and supported at the working level by the "Friends of the Chair" (FOTC) who will provide recommendations, advice, and input and develop work programs as required.

The CTWG will meet at least twice a year annually in the margins of Senior Officials' Meetings and conduct business via email intersessionally. The CTWG will have a term of five years, after which SOM shall review the CTWG's work and decide whether to extend its mandate.

---







**Asia-Pacific  
Economic Cooperation**

---

**2014/SOM1/CTWG/004**

Agenda Item: 4

## **Project Management Update**

Purpose: Information  
Submitted by: APEC Secretariat



**APEC**  
CHINA 2014

**1<sup>st</sup> Counter-Terrorism Working Group Meeting  
Ningbo, China  
22-23 February 2014**



Advancing  
Free Trade for Asia-Pacific  
Prosperity



## PROJECTS OVERVIEW: 2013 – Projects funded



Number of Projects Requesting Funding	219
Value of Projects Requesting Funding	\$29,139,167
Number of Projects Approved	109
Value of Projects Approved	\$13,229,978
% of Concept Notes Approved	50%
Average Project Cost	\$121,376

*\* All figures are USD*

## APPROVAL PROCESS

### 2014 – Dates and deadlines



#### Two funding sessions in 2014:

- ⇒ Session 1: CNs due Feb 28 (for May-Jun approval)
- ⇒ Session 2: CNs due July 21 (for Oct-Dec approval)
- ⇒ 2013 Sessions: 3 Sessions, concluding in May, June, Dec

#### Notes:

- After CN deadline, the PO has approximately 2 weeks to ensure CN is compliant, endorsed, and prioritized by the forum
- Deadlines expire midnight, Singapore time
- All dates and details subject to change (check website: <http://www.apec.org/Projects/Applying-for-Funds.aspx> )

## PROJECTS OVERVIEW:

### Session 1, 2014: Funds Available



Operational Account (OA)	\$905,500
Trade & Investment Liberalisation and Facilitation Account (TILF)	\$451,000
APEC Support Fund (ASF) General Fund	\$365,500
<b>ASF Sub-funds</b>	
✓ (i) Human Security	\$212,500
(ii) Health & Emerg Preparedness	\$256,000
(iii) TFAPII	\$72,000
(iv) Science and Technology	\$253,500
(v) Energy Efficiency	\$704,000
(vi) ANSSR	\$619,500
(vii) Supply Chain Connectivity	\$575,000
<b>Total OA+TILF+ASF</b>	<b>\$4,414,500</b>

#### To Note:

- Figures are estimates as of Dec. 2013 and are subject to approval at BMC1
- Figures and availability for the new ASF Supply Chain Connectivity sub-fund are to be confirmed
- A portion of TILF and ASF-EE funds have been allocated to future years, as per BMC's financial realignment exercise
- Session 2 will likely have similar amounts, plus unspent monies from Session 1

\* All figures are USD

## APPROVAL PROCESS: How are projects approved?



Forum discusses, then endorses and prioritises Concept Note/s



Committees use the 2013 Funding Criteria to rank and prioritise CNs overall, for each fund



CNs approved for funding starting with highest priority, until available funds are depleted



CNs expanded into full proposals and assessed by PMU



Proposals recommended to BMC  
(projects >US\$200,000 require SOM approval)

## CONCEPT NOTES Key advice



### Follow all guidelines:

- Meet submission deadlines
- 3-page maximum
- At least 2 co-sponsoring economies (6 for HRD)
- Link project to 2014 APEC Funding Criteria
- Ensure project end date is by Dec of following year
- Use most current form, found on website
- Follow all guidelines in Guidebook

Make sure your economy participates in the ranking and prioritisation of Concept Notes.

## PROJECT IMPLEMENTATION

### Key guidelines



- Projects completed within two financial years
- Projects must be implemented in line with the *Guidebook on APEC Projects*
- Monitoring reports (mandatory) submitted at 6 month intervals within a calendar year:
  - 1 February
  - 1 August
  - next due August 1, 2014 (just received February reports)
- Completion report (mandatory) submitted within 2 months of project completion

## PROJECT RESOURCES

### Project quality workshops



**The Secretariat is providing info sessions on applying for APEC funds and improving project quality:**

- Sessions are one hour, with a second optional hour
- No prior sign-up is required
- Participants need only attend one session
- Ask your Program Director for a flyer

#### Timing:

- Thu, Feb 20: 9:00-10:00 or 13:00-14:00
- Fri, Feb 21: 13:00-14:00 or 13:00-14:00
- Sat, Feb 22: 9:00-10:00

#### Location:

- Jiangbei Room, Level 3, Shangri-La Hotel

## PROJECT RESOURCES Forms & resources on website



Home | Groups | Topics | Projects | Publications | Meeting Papers | Events | Press | About Us

You are at: Home > Projects > Forms and Resources

Follow us at:

### Project Forms and Resources

**Project Guidebook**

- [Guidebook on APEC Projects \(8th Edition\)](#)

**Forms for Applicants**

- [Concept Note Template \(approved, BMCG 2012\)](#)
- [Project Proposal Template \(approved, BMCG 2012\)](#)
- [APEC Self-Funded Project Proposal Coversheet \(approved, BMCG 2012\)](#)
- [CAF - Quality Assessment Framework \(2012\)](#)

**Resources for Applicants**

- [Project Quality Training Materials - Presentation, resources, worksheets, 2013](#)
- [Developing APEC Concept Notes](#)
- [Proposal Development Materials, Designing APEC Projects](#)
- [Funding Criteria for an APEC-Funded Projects in 2014](#)
- [Quality Criteria for Assessing APEC Projects](#)
- [Guide on Gender Criteria](#)
- [Applying for APEC Funds Overview](#)

**Forms and Resources for Projects in Implementation**

- [Monitoring Report Template \(approved, BMCG 2012\)](#)
- [Multi-year Project Annual Monitoring Report Template](#)
- [Completion Report Template \(approved, BMCG 2012\)](#)
- [Sample Participant Evaluation Form](#)
- [Sample Trainer Evaluation Form](#)
- [Part-Dem and Attendance Certification \(Word Format\)](#)
- [Part-Dem and Attendance Certification \(Excel Format\)](#)

**Contracting Forms & Resources**

### Projects

- [Overview](#)
- [Applying for Funds](#)
- [Implement Projects](#)
- [Funding Sources](#)
- [Forms and Resources](#)
- [Projects Database](#)
- [Contracting, Tenders and RFPs](#)

### Find Out More

- [Requests for Proposals/Tenders](#)
- [Budget and Management Committee](#)
- [APEC Projects Database](#)

## PROJECT RESOURCES Further assistance



### Further assistance on projects can be found:

- Through the APEC Secretariat: your Program Director or the PMU: <http://www.apec.org/ContactUs.aspx?t=Secretariat>

PMU Program Director, Nadira Mallewa: [npm@apec.org](mailto:npm@apec.org)

Project Development Specialist, Adam Hunt: [ah@apec.org](mailto:ah@apec.org)

- In the *Guidebook on APEC Projects and Proposal Development Materials*:

<http://www.apec.org/Projects/Forms-and-Resources.aspx>

- On the *AIMP Project Database* site:

[http://member.aimp.apec.org/pdb\\_sites/default.aspx](http://member.aimp.apec.org/pdb_sites/default.aspx)

- Through your BMC or fora delegate



**Asia-Pacific  
Economic Cooperation**

---

2014/SOM1/CTWG/003

Agenda Item: 4

## **APEC Secretariat Report on Key Developments**

Purpose: Information  
Submitted by: APEC Secretariat



**1<sup>st</sup> Counter-Terrorism Working Group Meeting  
Ningbo, China  
22-23 February 2014**

## APEC Secretariat Report on Key Developments – February 2014

### 1. APEC 2014 PRIORITIES

In 2014, APEC's theme is "*Shaping the Future through Asia-Pacific Partnership.*" The priority areas include:

- Advancing regional economic integration;
- Promoting innovative development, economic reform and growth; and
- Strengthening comprehensive connectivity and infrastructure development.

### 2. KEY OUTCOMES OF SENIOR OFFICIALS AND COMMITTEE MEETINGS

#### *Second Senior Officials' Meeting*

The APEC Economic Leaders Meeting, Ministerial Meeting, the APEC CEO Summit, and the Concluding Senior Officials' Meeting were held in Bali Indonesia from 1 to 8 October 2013:

The APEC Economic Leaders' Meeting issued the Bali Declaration on 8 October 2013.

The 2013 APEC Ministerial Meeting was held in Bali, Indonesia on 4 and 5 October 2013. The meeting considered progress on attaining the Bogor Goals, action required to promote connectivity and encouraging sustainable growth with equity. A joint statement was issued summarising work undertaken during the year.

#### *Committee on Trade and Investment (CTI)*

In 2013, the APEC Committee on Trade and Investment (CTI) adopted a work program organized around five priority areas that contribute to APEC 2013 Priorities under the theme of "Resilient Asia-Pacific, Engine of Global Growth." The five areas were:

- Support for the multilateral trading system
- Attaining the Bogor goals, trade and investment liberalization, and regional economic integration
- Promoting connectivity
- Expanding regulatory cooperation and advancing regulatory coherence
- Contributions to APEC growth strategy and cross-cutting mandates.

An overview of the CTI's work and achievements as well as that of its 11 sub-fora and industry dialogues in 2013 can be found in the 2013 CTI Annual Report to Ministers.

The CTI will next meet in Ningbo, China from 24-25 February 2014 to discuss and agree on the Committee's priorities and work program for 2014. It will continue to advance the CTI-related action as directed by Ministers and Leaders in Bali; as well as those actions outlined in its 2013 Annual Report to Ministers. Some of the planned activities or mandated tasks for the year will include:

- Intensify implementation of the Supply Chain Connectivity Framework and Action Plan (SCFAP) and advance the systematic approach to improve supply chain performance.
- Intensify work to assist economies in the implementation of the APEC List of 54 Environmental Goods (adopted in 2012) commitments.
- Undertake further activities will be organised as part of the Action Plan Framework for Regional Economic Integration (REI) Capacity Building Needs Initiative adopted in 2012.
- Hold the 2014 APEC Regulatory Advancement Mechanism (ARCAM) Dialogue on Electric Vehicles.
- Undertake a review of the efficiency and effectiveness of existing CTI sub-fora under the process agreed in 2013 to streamline CTI sub-fora and reduce the frequency of CTI sub-fora meetings.



### ***Economic Committee (EC)***

The second EC meeting in June 2013 included two policy discussions on "Regulatory Reform in Green Investment" and "State of the Regional Economy: Navigating towards Sustainable Growth in a Changing Landscape." The EC discussed the APEC New Strategy on Structural Reform (ANSSR), including the ANSSR mid-term progress being conducted in 2013 and various on-going capacity building activities to assist member economies with implementation of their ANSSR plans. The EC also discussed the progress on the Ease of Doing Business (EODB) Action Plan and the updates on Good Regulatory Practices (GRP). The EC considered the work plans of the Competition Policy and Law Group (CPLG) and its five FotCs including: competition policy, regulatory reform, corporate law and governance, public sector governance and ease of doing business.

The EC published the 2013 APEC Economic Policy Report (AEPR) on Promoting Fiscal Transparency and Public Accountability and the 2013 ANSSR Mid-Term Progress Report in October 2013.

The next EC meeting will be held in Ningbo, China on the margins of SOM1.

### ***SOM Steering Committee on ECOTECH (SCE)***

At the third and final SCE meeting of 2013 on 3 July, the SCE endorsed the report of the survey of fora and economies conducted during the year and accepted ten recommendations arising from the report. The recommendations included changing the way the SCE-COW (Committee of the Whole) meets to allow for more discussion and coordination of cross-cutting issues, formally providing opportunities for fora chairs and lead shepherds to meet to encourage collaboration, developing capacity building guidelines and encouraging fora to work with the Policy Support Unit. SCE also noted fora progress on completing strategic plans and concluded independent assessments of EGILAT, EWG, TPTWG and CTTF. SCE recommended to the SOM that the CTTF be upgraded to a working group, which the SOM subsequently agreed to leading to the Counter-Terrorism Working Group (CTWG) being formed.

The next SCE meeting will be held in the margins of SOM1 in Ningbo, China on 26 February 2014. It will be preceded by the SCE-COW meeting on 25 February.

### ***Budget and Management Committee (BMC)***

In 2013, the Secretariat received a total of US\$5 million in voluntary contributions for APEC projects from three Member Economies, including US\$901,782 to the Trade and Investment Liberalization and Facilitation Special Account (TILF) and JPY241,446,000 (equivalent to US\$2,519,524) to the APEC Support Fund (ASF) Energy Efficiency and Low-Carbon Measures Sub-fund from Japan; A\$1,500,000 (equivalent to US\$1,580,550) to the ASF (General Fund) from Australia; and NZ\$75,000 (equivalent to US\$59,006) to TILF from New Zealand.

During the same period, the Secretariat received fixed members' contributions for 2013 totaling S\$5,710,113 and US\$1,117,324 to the Administrative Account and Operational Account respectively<sup>1</sup>.

The BMC embarked on a financial realignment exercise in 2013, which is a substantial work program to promote transparency in APEC financial management, strengthen the governance of the APEC Secretariat, support the stability of the APEC financial system, and promote predictability and sustainability of APEC project funding. As part of the exercise, SOM approved the BMC's recommendations that starting from 2014, APEC will set an aspirational target for the funding level in TILF and ASF with a planning horizon of three years. At the same time, there will be a cap on the value of projects approved per session or per year. The modus operandi for coordinating voluntary contributions will be submitted to SOM for approval after endorsement by BMC in 2014.

### ***APEC Business Advisory Council (ABAC)***

ABAC achieved two important milestones in 2013: First, the completion of a detailed roadmap

---

<sup>1</sup> The Secretariat also received a contribution of US\$150,000 from a Member Economy and is separately liaising with the Member Economy on the year(s) that the contribution should be designated for.

towards regional food security, drawn by the newly-created APEC Policy Partnership for Food Security (PPFS) with ABAC participation. One of the PPFS action plans is to reduce food losses and increase food safety by promoting the effective use of cold chain technology and by urging economies to adopt international food safety standards.

The other achievement is the ministerial endorsement of the Asia Pacific Financial Forum (APFF), a regional platform for multi-stakeholder collaboration to help accelerate the development of integrated financial markets.

In its 2013 Letter and Report to Leaders, ABAC called on APEC to have a more ambitious agenda on trade, investment and services liberalization targets. It stressed its belief that the ultimate expression of regional connectivity is still the achievement of a Free Trade Area of the Asia-Pacific (FTAAP). To facilitate smoother trading of goods, the Council provided key recommendations to improve regulatory coherence, which should start with domestic regulatory reforms, and urges APEC to adopt global product data standards to address supply chain connectivity and complexity challenges noted in the region.

ABAC also highlighted the need for major infrastructure investment across APEC to secure economic growth and regional integration. In particular, the business community is concerned about the slow implementation of big-ticket public-private partnership (PPP) projects while noting a McKinsey Global Institute report estimating global infrastructure investment requirement of US\$57 trillion to sustain economic growth. For its part, ABAC has developed an infrastructure investment checklist designed to help governments determine the extent to which their economies facilitate infrastructure investment. In addition, ABAC continued to host confidential dialogues with individual APEC economies under the Asia-Pacific Infrastructure Partnership. These offered advice to governments on how to create conducive environments for successful PPPs.

ABAC will have 4 meetings in 2014:

- First ABAC Meeting, 11 - 14 February 2014, Auckland, New Zealand
- Second ABAC Meeting, 4 - 7 May 2014, Santiago, Chile
- Third ABAC Meeting, 7 - 10 July 2014, (TBC), United States
- Fourth ABAC Meeting, 5 -8 October 2014, Beijing, China

More information on ABAC can be found at: <http://www.apec.org/Groups/Other-Groups/APEC-Business-Advisory-Council.aspx>.

### **3. DEVELOPMENTS WITHIN THE SECRETARIAT AND POLICY SUPPORT UNIT**

#### ***Key Staff Movements and Appointments***

Program Directors to have left the Secretariat since the last update in June 2013 include, Mr Diego Belevan of Peru; Ms Yumiko Honda of Japan, Ms Shea Wing Man of Hong Kong, China and Ms Yoo Myung-hee of Korea. New Program Directors to commence at the Secretariat include Mr Alex Rogers of New Zealand; Mr Alvaro Castro of Mexico; Ms Grace Cruz-Fabella of The Philippines; Ms Kristin O'Grady of the USA; Ms Sakura Ozaki of Japan and Ms Ha Thai Quynh Phuong of Viet Nam.

Staff that have commenced work with the Secretariat in the last six months include, Mr Michael Andrew Mesina, Ms Lilibeth Coquilla Ellica and Mr Wong Chi Chung. Ms Anna Lim, Executive Assistant, resigned in Sep and was replaced by Ms Oh Soh Wan in Nov 2013. Ms Jacqueline Tan, Publishing & Corporate Affairs Manager resigned in November 2013 and was replaced by Ms Tizi Melissa Othman in Jan 2014.

Recent staff movements in the Policy Support Unit include the departure of Analyst Ms Tammy Hredzak (November 2013); the engagement of Senior Analyst Dr Gloria Pasadilla (July 2013), Researcher Mr Andre Wirjo (December 2013) and Analyst Mr Emmanuel A. San Andres (January 2014); and the promotion of Ms Bernadine Zhang to Analyst (January 2014).

### ***Project Management Unit (PMU)***

Three project sessions were completed in 2013 and a total of 109 projects at a value of \$13.2 million were approved for implementation. At BMC2, 2013 members agreed to pilot the approach to conduct two project sessions instead of three in 2014. The first session for 2014 will commence at the end of February 2014.

The pilot phase of multi-year projects which commenced in 2011 was concluded in mid-2013. A total of 12 multi-year projects were funded under the pilot. Members agreed that a mid-term review of the pilot phase be commissioned by the Secretariat in 2014. The Terms of Reference for the review will be submitted for consideration at BMC1.

A consultancy commissioned by the Secretariat (and funded by APEC TATF) on developing a framework and methodology for undertaking evaluations and impact assessments of APEC projects was completed in mid-2013. The findings of the evaluation were presented at the BMC2 meeting in Medan. Work on implementing the recommendations from the consultancy is underway. In accordance with the directions set out in the (implementation) Action Plan submitted to members at BMC2, the Secretariat has made amendments to existing templates to capture information on participants and capacity building impacts more effectively. A system to collate participant information for future evaluations is being developed. An indicative pipeline for potential APEC project evaluations planned for 2014-2015 will be presented at the upcoming BMC meeting with a view to seeking members' approval. This will subsequently be circulated to other Committees/SFOM, sub-fora and working groups for consideration.

The design and upgrade of the APEC Project Database was finalized in 2013 with all project records since 2006 (concept notes, proposals and monitoring reports) uploaded on to the system in October 2013. The system is a comprehensive repository of all project records and is accessible to all members.

### ***Policy Support Unit (PSU)***

At the last PSU Board meeting on 30 September 2013 in Bali, the Board approved the extension of current PSU Director for a further two years, i.e., from 21 February 2014 to 20 February 2016. The Board will next convene on 26 February 2014 in Ningbo under China's chairmanship.

In October last year, the PSU released a new publication titled "APEC in Charts" which was well received by APEC Ministers and Senior Officials. The PSU aims to publish this annually. StatsAPEC has also been optimized for use on mobile devices since last year.

The PSU's first output for 2014 covers the topic on services:

- APEC, Services, and Supply Chains: Taking Stock of Services-Related Activities in APEC (Policy Brief No. 9, 29 January 2014)

In the months ahead, the following deliverables can be expected:

#### **For CTI**

- Bogor Goals Progress Report – IAP Peer Review Process 2014
- Perceptions in the Use of NTMs in the APEC Region
- Comprehensive Analysis on Enhanced Resiliency of Cross-Border Value Chains (Phases 1 to 4)
- Voluntary Standards and Regulatory Approaches in Advertising in APEC Economies (Issues Paper)

#### **For EC**

- APEC Economic Trends Analysis (biannual)
- Ease of Doing Business – Interim Assessment 2009-2013
- Regulatory Reform - Case Studies on Promoting Innovation

#### **For MRT and AMM**

- Key Trends and Developments Relating to Trade and Investment Measures and Their Impact

on the APEC Region 2014 (biannual)

For SFOM

- Asia Region Funds Passport: A Study of Potential Economic Benefits and Costs

For SMEWG

- Integrating SMEs into Global Value Chains - Policy Principles and Best Practices (Issues Paper)

Others

- Biannual updates to StatsAPEC
- Research Outcomes: Summary of Research Projects 2013

For the most up-to-date monthly work program and soft copies of the PSU's reports and publications, please visit: [www.apec.org/About-Us/Policy-Support-Unit/PSU-Products-Publications](http://www.apec.org/About-Us/Policy-Support-Unit/PSU-Products-Publications)).

***Communications and Public Affairs***

The Communications and Public Affairs Unit (CPAU) continues to carry out its operational plan. Between September 2013 and January 2014, the APEC Secretariat engaged Burson-Marsteller, a communications consulting firm, to provide an independent assessment of APEC's tools; identify specific communications challenges and strategic opportunities facing incoming host economies; and make recommendations for the APEC Secretariat's strategic communications and public affairs plan for 2014 – 2016.

Between 15 June 2013 and 1 February 2014, Dr Alan Bollard conducted outreach. Remarks were delivered to:

- Singapore Management University (SMU) Lecture Series, Singapore
- APEC Youth Summit, APEC Leaders Week Bali, Indonesia.
- Bali Business Forum, Indonesia
- Institute for South East Asian Studies, Singapore
- S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University, Singapore
- Asian Financial Forum, Hong Kong, China

Op-eds written by Dr Bollard were published in the following publications:

- "Greater cross-border trade key to APEC Growth," Asahi Shimbun
- "Building Bridges," El Comercio, Peru
- "Economic Integration in the Pacific Basin," La Tercera, Chile
- "APEC's Trade Agenda," The Wall Street Journal, United States
- "Obama trades places, but APEC agenda intact," Jakarta Post
- "China as a model for reform and market integration," People's Daily, China

Media interviews and background discussions were conducted with over 20 organisations including AFP, Al Jazeera, Bloomberg, CNBC, China Central Television, El Comercio, CNN, The Economist, The International New York Times, Kompas and Reuters.

The APEC Bulletin was published in September 2013 and featured articles on:

- The Cross Border Privacy Rules System: Promoting consumer privacy and economic growth across the APEC region
- Mapping out a renewable energy future
- Connecting indigenous micro-enterprises to global markets
- Interview: Boosting business recovery before disasters strike
- Transforming Digital Divides into Digital Opportunities
- Streamlining Regulations Boosts Wine Trade

Since December, the APEC Bulletin has been issued on a monthly basis.

CPAU Support for members:

- Updated the APEC Communications Toolkit in June 2013
- Updated the APEC Websites Guidelines in September 2013 with general guidelines for the Host Economy Website
- Published Outcomes and Outlook 2013/2014 and APEC at a Glance.
- Launched the Apple (iPhone) version of the APEC Glossary App to help iPhone users look up APEC acronyms
- Announced winners of the annual APEC Photo Contest at CSOM in early October
- Participated in three TATF-funded workshops to build capacity for incoming hosts in Papua New Guinea, Peru and The Philippines.

### ***APEC Technical Assistance and Training Facility***

The APEC Technical Assistance and Training Facility (APEC TATF) works closely with the APEC Secretariat to implement a range of activities designed to strengthen the APEC Secretariat as a customer-driven institution. APEC TATF ended on December 31, 2013, and its successor project, US-APEC Technical Assistance to Advance Regional Integration (US-ATAARI) will support the APEC Secretariat. From June 2013, APEC TATF's accomplishments include:

- Working closely with the IT Unit and the selected vendor, developed the IntraAPEC, which was completed in December 2013. The APEC Secretariat operating units are populating the portal with information. US-ATAARI will provide training to users on how to maximize use of IntraAPEC. It is anticipated to be officially launched in March 2014.
- Working with the Finance Unit, engaged an expert to review and make recommendations on aspects of APEC financial processes, broadly in line with the industry's best practices and Singapore Financial Reporting Standards. US-ATAARI will support work
- Organized an APEC Secretariat-wide offsite staff retreat in August 2013, which focused on the development of the APEC Secretariat's 2014-2016 strategic plan.
- Worked with the APEC PMU and the BMC small working group to examine APEC's monitoring and evaluation framework. Phase 2 tested the methodology developed in Phase 1. Results and recommendations were presented at SOM 3 in Medan. US-ATAARI will work with the PMU to implement longer term recommendations in 2014.
- Continued to work with SCE sub-fora, and in particular, the PPWE, in their efforts to develop medium-term strategic plans to ensure that their goals and future work are in line with APEC's overall objectives.
- Provided training to APEC Secretariat staff on elements of conducting effective performance management reviews.





**Asia-Pacific  
Economic Cooperation**

---

2014/SOM1/CTWG/005rev1  
Agenda Item: 6

## **Proposed Work Plan for 2014**

Purpose: Information  
Submitted by: CTWG Chair



**1<sup>st</sup> Counter-Terrorism Working Group Meeting  
Ningbo, China  
22-23 February 2014**

**Proposed Work Plan for 2014**  
APEC Counter-Terrorism Working Group (CTWG)

**1. Proposed Work Plan for 2014 in Response to Leaders/Ministers/SOM/SCE Priorities and Decisions, and to ABAC recommendations:**

As outlined in the APEC Growth Strategy endorsed by the Leaders in 2010 and in the 2011 APEC Counter-Terrorism and Secure Trade Strategy, APEC member economies recognize that creating a secure environment for economic activity is a vital part of ensuring regional growth and prosperity. Since 2001, APEC has played a valuable and constructive role in helping to protect the economic systems of the Asia-Pacific region from disruption as an important component for a safer business environment and a pretext to meet the Bogor goals of free and open trade and investment in the Asia Pacific. This include risk-based efforts to mitigate risks and enhance the resilience of transportation, the supply chain, infrastructure, and the financial systems, while ensuring the flow of legitimate trade and travel.

The 2013 APEC Joint Ministerial Statement recognized the continuing threat of terrorism in the Asia-Pacific region and the importance of mitigating this threat as we seek to achieve APEC's vision and objectives. It also recalled the Leader's commitment in 2011 to make regional commerce and travel more secure, resilient as well as to APEC's Consolidated Counter-Terrorism and Secure Trade Strategy, which takes a comprehensive integrated approach to ensuring the resilience of regional commerce by enhancing the ability of member economies to protect their economic systems, recover rapidly from disruptions, and maintain the flow of legitimate trade and travel. The Ministers also encouraged economies to continue implementing the Strategy, including through capacity building initiatives that support secure regional supply chains, travel, finance and infrastructure. They also noted the importance of continued and close cooperation with the private sector and relevant multilateral organizations in implementing the Strategy.

Cognizant that the threat of terrorism, frequency and intensity of disruption will continue to exist in the decade ahead, the SOM ECOTEC (SCE) endorsed the upgrade of the CTTF to a permanent Working Group. The Counter-Terrorism Working Group's mission is to:

- Build capacity in the region to mitigate, prepare for and respond appropriately to the threat posed by terrorism, including by building business resilience and fostering private-public partnership to protect business, trade and economic growth from disruption; and
- Improve coordination and enhance intra-APEC cooperation and integration of best practices on counter-terrorism preparedness and response efforts in APEC, as well as develop dialogue with other international organizations and relevant multilateral fora on counter-terrorism issues.

APEC's Consolidated Counter-Terrorism and Secure Trade Strategy identified three fundamental pillars namely security, efficiency, and resilience that will underpin CTWG's efforts.

**The CTWG proposed activities in 2014**

The CTWG is committed to work in line with the CTWG mission and APEC's 2014 theme of 'Shaping the Future Through Asia Pacific Partnership' through the following steps:

- Continue implementation of the CTWG Strategic Plan 2013-2017 and the recommendations of the Independent Assessor's report;
- Continue implementation of the APEC Counter-Terrorism and Secure Trade Strategy as recognized in the 2013 Ministerial Joint Statements;
- Strengthen the CTWG operationally as an effective facilitator of counter-terrorism and secure trade and travel cooperation within APEC;
- Conduct and advance activities related to capacity building in counter-terrorism and secure trade and travel in close cooperation and coordination with relevant lead APEC sub-fora.



**2. Anticipated Activities and/or Proposed Work Plan with relevant organizations in response to Ministers' call for greater engagement with other Organizations/Stakeholders, including IFI's and other international Organizations:**

The CTWG will seek to enhance dialogue and engagement with relevant multilateral organizations to exchange and utilize lessons learned from efforts conducted elsewhere that could be applicable to the Asia-Pacific region, to discuss current and emerging challenges and to avoid unnecessary duplication.

**3. The Business Sector:**

Cooperation with the private sector also helps to connect APEC's security-related efforts to APEC's core mission of promoting economic growth and prosperity in the Asia-Pacific region. The CTWG will reach out to the APEC Business Advisory Council (ABAC) and the broader regional business community to explore opportunities for collaborating on issues and activities of mutual interest, including holding the IX Conference on Secure Trade in the APEC Region (STAR IX Conference).

**4. Cross cutting issues and how they will be coordinated across fora.**

As set forth in CTWG Strategic plan and the APEC Counter-Terrorism and Secure Trade Strategy, the CTWG will consult and cooperate among relevant APEC sub-fora on issues related to counter-terrorism and secure trade, and work to improve effectiveness in this regard. This could include holding regular briefings by the chairs of the CTWG and other relevant APEC sub-fora at each other's meetings; convening joint meetings and/or scheduling of joint discussions during CTWG meetings; collaborative planning and coordination of capacity building initiatives; and regular exchanges of sub-fora reports on meeting outcomes and key initiatives.

Consultation, collaboration and coordination between the CTWG and other relevant lead APEC sub-fora will be done in four cross-cutting activity areas of the **APEC Counter-Terrorism and Secure Trade Strategy**:

Secure Supply Chains

- The CTWG will work with the APEC Committee on Trade and Investment Subcommittee on Customs Procedures (CTI/SCCP), Transportation Working Group (TPTWG) and other relevant sub-fora to identify and close vulnerabilities in the regional supply chains and to enhance supply chain resilience; in particular to restore trade after major disaster and disruptions.
- The CTWG will consult with and support the CTI/SCCP in its efforts to strengthen supply chain security as well as continue to engage on initiatives such as the APEC Trade Recovery Program and Authorized Economic Operator (AEO) Programs and also consult on other opportunities for cooperation to enhance supply chain security, including inviting the CTI/SCCP Chair to participate in a joint dialogue on supply chain security;
- The CTWG will work closely with the TPTWG and in particular, the Maritime Security Experts Group (MEG-SEC) to advance the APEC Trade Recovery Program and to identify remaining security gaps in the regional supply chain.
- The CTWG will continue to work to increase regional awareness of food defense, taking particular aim at threats caused by terrorism, small scale sabotage and food fraud. Interest generated from past efforts will promote new networking and outreach, specifically in regard to vulnerability assessments, mitigation strategies, and food defense plans. The CTWG will continue to engage food sector stakeholders through electronic collaboration and the sharing of updated guidance materials.

Secure Travel

- The CTWG will work with TPTWG, the APEC Committee on Trade and Investment Business Mobility Group (CTI/BMG), and CTI/SCCP to implement the APEC Consolidated Counter

Terrorism and Secure Trade Strategy and support deeper cooperation and capacity building across the Strategy's priority areas of secure trade and travel;

- The CTWG will continue to work with the SCE, CTI/BMG, CTI SCCP, TPT/WG, Tourism Working Group (TWG) on implementing the APEC Travel Facilitation Initiative to make travel in the region faster, easier and more secure;
- The CTWG will work with the BMG, as the lead expert group on business mobility, to explore potential opportunities for cooperation to improve the secure flow of travelers throughout the region, including supporting, as needed, the BMG's efforts to develop a Border Capabilities Model. Efforts should complement existing work being done in other international fora such as the International Civil Aviation Organization (ICAO) and the International Organization for Standardization (ISO);
- The CTWG will work with the TWG, as the lead sub-fora on tourism, to explore potential opportunities to improve protections for tourists as well as to share experiences and best practices in securing tourist destinations and tourist products;
- The CTWG will work with the following TPTWG sub-groups:
  - The CTWG will work with the Maritime Security Experts Group (MEG-SEC) as the lead maritime security expert group within APEC, and support the Group in its ongoing efforts to enhance port and maritime security.
  - The CTWG will continue to collaborate with the Aviation Security Experts Group (AEG-SEC), as the lead aviation security expert group within APEC, and support the Expert Group in its efforts to enhance aviation and transportation security.

#### Secure Finance

- The CTWG will lead APEC efforts to prevent and combat terrorist financing and money laundering. These efforts will include implementing a capacity building workshop on counter-terrorism financing with the participation of the non-profit organization sector as well as identifying vulnerabilities and priorities for future capacity building initiatives;
- The CTWG will seek to engage other APEC sub-fora as well as relevant non-APEC entities to ensure that secure finance efforts are fully and effectively coordinated and comply with the Financial Action Task Force Recommendations.

#### Secure Infrastructure:

- The CTWG will collaborate with relevant lead APEC sub-fora to explore prospects for further cooperation on enhancing the security and resilience of infrastructure across the region.
- The CTWG will consider the Key Observations and Recommended Future Activities from the June 2013 APEC Policy Dialogue on Critical Infrastructure Protection, to develop capacity building proposals in the area of secure and resilient infrastructure.
- The CTWG will work to support the TEL/SPSG in its efforts to increase awareness and to enhance cyber security as well as to review the APEC Cyber Security Strategy and the APEC TEL Strategy to ensure a Trusted, Secure and Sustainable Online Environment (TSSOE) as a basis for planning future APEC efforts in this area. The CTWG will consult with the TEL/SPSG on the outcomes of the reviews and as appropriate, explore potential opportunities for cooperation.
- The CTWG will continue to work on major event security capacity building activities.

### **5. Progress on Developing/Implementing the Fora Strategic Plan**

The CTWG recognizes that elements of APEC's works on counter-terrorism and secure trade and travel are spread out across a number of APEC sub-fora.

The CTWG reaffirms its commitments to implement the APEC consolidated Counter Terrorism and Secure Trade Strategy and support deeper cooperation and capacity building across the Strategy's priority areas of secure supply chains, travel, finance, and infrastructure to make regional commerce more secure, efficient and resilient.

The CTWG will ensure robust efforts in cross cutting activities areas, continue to improve CTAP and summary report process to maximize its relevance to the CTWG's work and maintain coordination role in APEC secure trade issues across APEC sub-fora and engagement with relevant international organizations.

As called for by APEC Leaders in 2010 Growth Strategy, over the past two years, the APEC Counter-Terrorism Working Group, the Transportation Working Group (TPTWG), The Sub Committee on Custom Procedures (SCCP), the Business Mobility Group (BMG), the Telecommunications and Information Working Group (TEL) and The Tourism Working Group (TWG) have enhanced APEC's collaboration on a comprehensive and integrated approach to address counter-terrorism and secure trade matters.

The CTWG, in collaboration with other APEC sub-fora, will continue to develop a systematic approach to address existing chokepoints in the supply chain through targeted capacity building and concrete steps towards making the supply chain more reliable, resilient, safe, efficient, and transparent.

In 2014, the CTWG will continue the practice of inviting representatives from other multilateral organizations to its meetings.

In fostering closer cooperation with the business community, the CTWG will invite representatives from ABAC and the private sector to CTWG meetings to discuss opportunities for cooperation, hosting dialogues between the private sector and relevant APEC sub-fora as part of CTWG meetings, or, where appropriate, inviting private sector participants to take part in CTWG capacity building initiatives.

CTWG will also look to develop, where relevant, multi-year projects to help sustain the longer-term benefits and impact of activities contributing to counter-terrorism.

## **6. Expected CTWG Outcomes/Deliverables for 2014**

CTWG's activities for 2014 include:

- identifying developing and delivering better targeted activities in order to meet specific counter-terrorism capacity building needs;
- maximizing participation of APEC member economies in the annual submission of Counter Terrorism Action Plans to better understand where needs and opportunities exist for capacity-building activities;
- enhancing the effectiveness of CTWG capacity building projects by placing greater focus on monitoring and evaluating these projects;
- considering and implementing, where appropriate, the recommendations set forth in the Independent Assessor's reports;
- Reporting to APEC Senior Officials and Ministers the progress CTWG has made on implementing the APEC Counter-Terrorism and Secure Trade Strategy;

CTWG Endorsed Projects for 2014

- Thematic debate on Container Transportation Security
- The IX STAR Conference





**Asia-Pacific  
Economic Cooperation**

---

**2014/SOM1/CTWG/006**

Agenda Item: 7

## **2013 Counter-Terrorism Action Plans Summary Report Draft**

Purpose: Information  
Submitted by: APEC Secretariat



**1<sup>st</sup> Counter-Terrorism Working Group Meeting  
Ningbo, China  
22-23 February 2014**

## **2013 Counter-Terrorism Action Plans Summary Report Draft**

### **Capacity Building Needs of APEC Economies**

#### **Introduction**

In 2007, the Counter-Terrorism Task Force (since 2013 upgraded to 'Counter-Terrorism Working Group') tasked the APEC Secretariat to summarize the main counter terrorism capacity building needs expressed by economies in their individual Counter-Terrorism Action Plans (CTAPs). The CTTF agreed that the consolidated document will be submitted for consideration annually and that the information in the report could be used by economies to assist in identifying suitable projects at the beginning of each APEC year. In July 2007 the APEC Secretariat presented the first summary report to CTTF members, and summary reports has been submitted annually since then. Occasionally the summary report template has been adjusted to reflect better the results in terms of capacity gaps and opportunities.

The summary report also constitutes one important deliverable of the CTWG as it contributes to the Secure Growth Strategy and to enhance Human Security. Independent Assessment Report of 2011 recommended that the summary report may be shared with other relevant international fora in order to increase cooperation in this area.

#### **2013 Summary Report process**

Member economies were requested to send their CTAP updates by 1<sup>st</sup> October 2013. The Secretariat received **Nine** individual CTAP updates by January 20, 2014. Last year members agreed to use individual ad-hoc tables highlighting options from five specific categories on capacity gaps and opportunities to better identify what kind of capacity activities are needed and which ones are offered. The five specific capacity building categories which were adopted by members in previous years are:

- Educational opportunities for knowledge exchange such as seminars, workshops and conferences
- Systems and mechanisms for information-sharing
- Technical training and assistance
- Equipment, hardware, and technology transfer
- Research and scholarly work

The first part of the 2013 report summarizes capacity building needs. The second part display 21 charts showing capacity gaps and opportunities in specific sections A, B and C. The third part identifies priorities and top ranked preferences on capacity building activities. In the last part the Secretariat shares some conclusions and recommendations on the reporting process.

**COUNTER-TERRORISM CAPACITY BUILDING NEEDS**

<b>A. ENHANCING SECURE TRADE IN THE APEC REGION</b>	<b>Total</b>	<b>54</b>
<b>A.1 Protect Cargo</b>	<b>Subtotal</b>	<b>18</b>
1. Access to the most recent information, best practices and lessons learned, training, and assistance to improve custom officers operational skills on World Customs Organization (WCO) Customs Data Model	Economies	1
2. Seminar for sharing data, experiences and clear guidelines on relevant standards regarding Authorized Economic Operator (AEO) schemes such as the setting of security standards and best practices to be followed by an AEO, the design of validation processes or accreditation procedures and the business sectors to be targeted for the introduction of an AEO scheme	Economies	2
3. Expertise in capacity building of risk assessment rules for electronic environment and training for Information Technology (IT) and risk management officers	Economies	3
4. Exchange of security standards and screening techniques of high-risk containers	Economies	0
5. Training, seminar, exchange of information and experiences for custom officers on the APEC Framework for the Security and Facilitation of Global Trade and its implementation	Economies	2
6. Pilot projects in cargo security information sharing with other economies	Economies	3
7. Training of Supply Chain Security Specialists and development of instruction materials	Economies	1
8. Learning experiences from Trade Recovery Programme Pilot Projects	Economies	0
9. Training and technological introduction regarding control and inspection of narcotics' initial substance and high-risk materials	Economies	0
10. Seminars/exchange of experiences and information to improve skills in information collection and analysis to effectively target high-risk cargos and exchanging intelligence about drugs and hazardous cargos	Economies	2
11. Sharing best practices of public-private partnership	Economies	1
12. Public-Private Seminar on Cargo Security	Economies	3
<b>A.2 Protect Ships Engaged in International Voyages</b>	<b>Subtotal</b>	<b>13</b>

1. Seminars, training on new equipment and programs for counter-piracy and maritime security	Economies	5
2. Annual seminar/courses on ship and port security to exchange experience and to enhance cooperation among authorities, auditors and technical personnel on ports, passenger, ships and operation security, equipment, and dangerous goods in the region	Economies	3
3. Technical assistance on new technologies to implement International Ship and Port Facilities Security Code (ISPS Code) requirements, including inter-agency and international ISPS Code exercises.	Economies	5
<b>A.3 Protect International Aviation</b>	<b>Subtotal</b>	<b>5</b>
1. Training for International Civil Aviation Organization (ICAO) auditors to further improve aviation security quality controls and communication	Economies	3
2. Training and technical assistance in Man-Portable Air-Defense Systems (MANPADS) program and MANPADS Vulnerability Assessment (MVA) guidelines	Economies	0
3. Information, best practices and intelligence sharing on aviation security aspects as well as training about crisis management, hostages and negotiations to improve airline passenger and crew safety	Economies	1
4. Training assistance and testing devices for checked in baggage X-ray as well as cargo screening and cargo agents to enhance air cargo and postal services security	Economies	1
<b>A.4 Protect People in Transit</b>	<b>Subtotal</b>	<b>0</b>
1. Advance technology systems and equipment/ exchange of experiences/training courses and technical support to improve the understanding and skills on Advance Passenger Information (API) System and Operations and to ensure that all economies equally benefit from the usage of the Advance Passenger Information (API)/ Advance Passenger Processing (APP) system	Economies	0
2. Technical Assistance to increase knowledge and skills about the development and strategies of biometrics in entry/exit procedures and travel documents and the development of a passenger biometrics technology and database	Economies	0
3. Technological transfer and other cost - effective ways to ensure effective usage of biometrics	Economies	0
4. Share experiences on the implementation of providing information on lost, stolen and tampered passports electronically on a voluntary basis to the International Criminal Police Organization (ICPO/Interpol) database	Economies	0
5. Share best practices and lessons learned on implementing Regional Movement Alert System (RMAS) towards a better understanding and evaluation for member economies who may be interested to join	Economies	0
6. Information and exchange experience on tourist traveling in APEC to ensure their safety and security	Economies	0
<b>A.5 Combat Threats to Security</b>	<b>Subtotal</b>	<b>2</b>
1. Training/advice for government agencies to build up efficiency in export control system	Economies	0

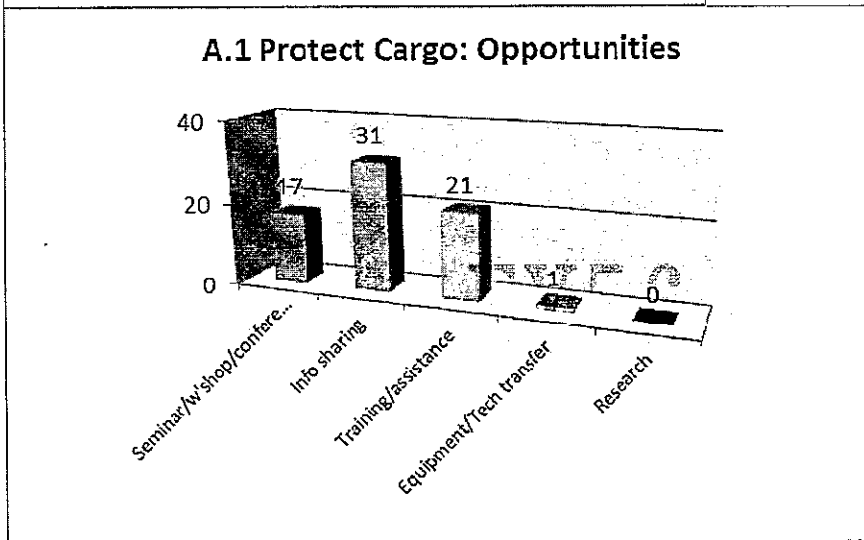
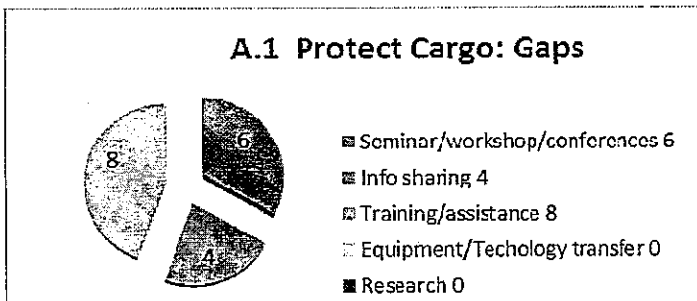
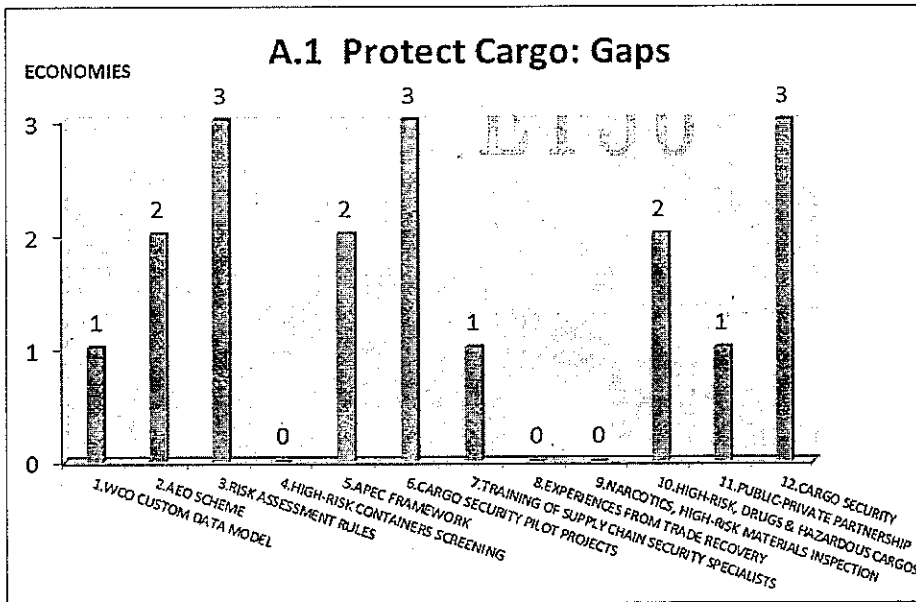


2013 CTAP Summary Report Draft. Updated: Feb. 10, 2014

2. Best practice sharing in developing legal instruments for counter-terrorism which complies with international human rights, refugee and humanitarian laws	Economies	0
3. Training and capacity building by regional centers, especially with respect to counter financing of terrorism and counter cyber terrorism	Economies	0
4. ICAO and International Maritime Organization (IMO) Standards to protect custom controls	Economies	0
5. Weapons of Mass destruction	Economies	1
6. Transport of nuclear material	Economies	1
<b>B. HALTING TERRORIST FINANCING</b>	<b>Total</b>	<b>11</b>
1. Research and assessment on effective supervision and monitoring of Non-Profit Organizations to protect them from having their funds misused by terrorist financiers	Economies	2
2. Technical assistance to explore or assess the nature and magnitude of the illegal remittance flows to determine what further improvements are needed to the legal and regulatory framework governing remittance businesses	Economies	2
3. Training in prevention of money laundering for financial employees, financial intelligence unit (FIU), enforcement agencies, judges and prosecutors to enhance law enforcement and regulatory capabilities	Economies	4
4. Training on Anti-Money Laundering and Combating the Financing of Terrorism standards and techniques to discover, investigate and suite Money Laundering and Financing of Terrorism cases	Economies	3
<b>C. PROMOTING CYBER SECURITY</b>	<b>Total</b>	<b>5</b>
1. Seminar on protection of cyberspace from terrorist use and attack	Economies	2
2. Technical support and training to develop regulations and technical standards on cyber-security	Economies	1
3. Technical support and training on establishing national Computer Emergency Response Teams (CERTS) capability in improving project implementation	Economies	1
4. Technical cooperative training and support for the deployment of Computer Emergency Response Teams (CERTS) and Computer Security Incident Response Team (CSIRT) operations	Economies	1

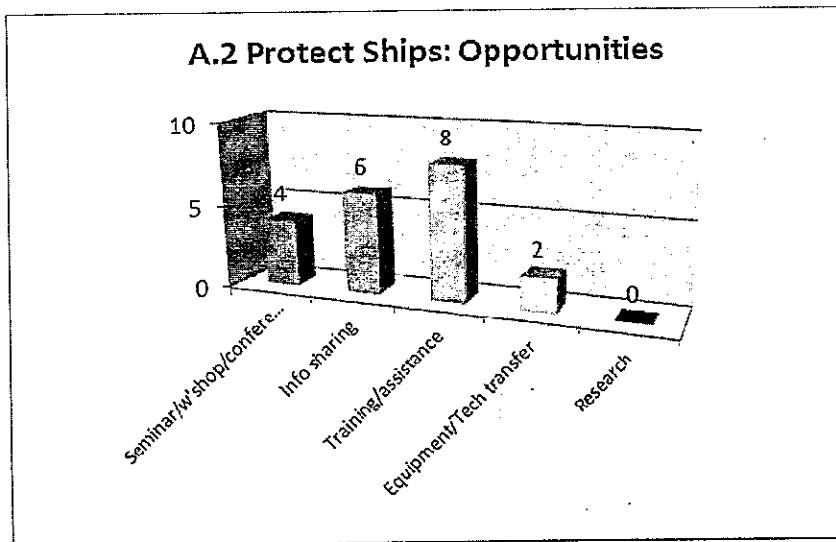
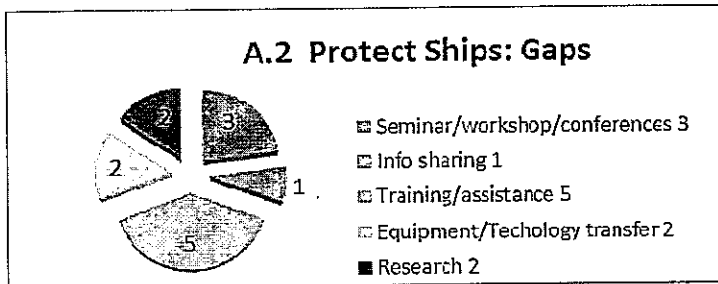
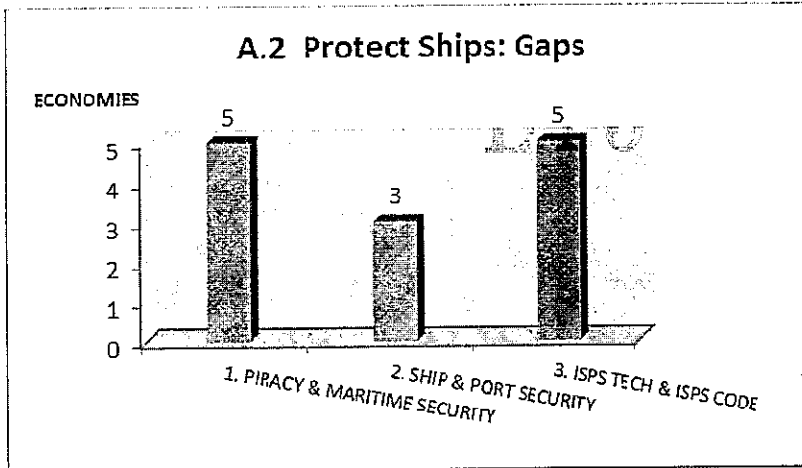
## A.1. PROTECT CARGO

### Capacity Building Needs



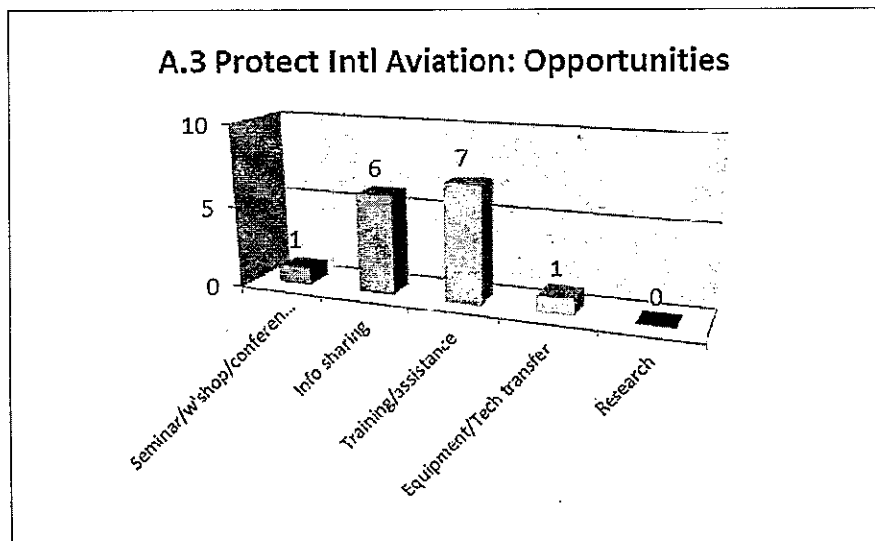
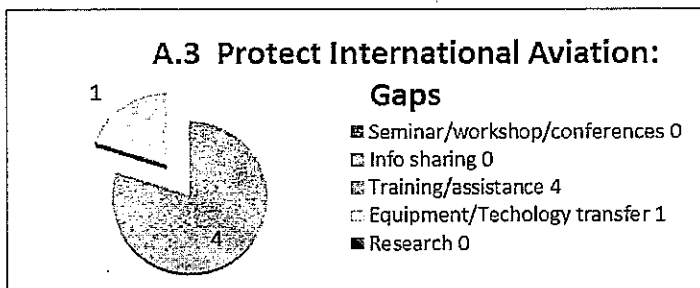
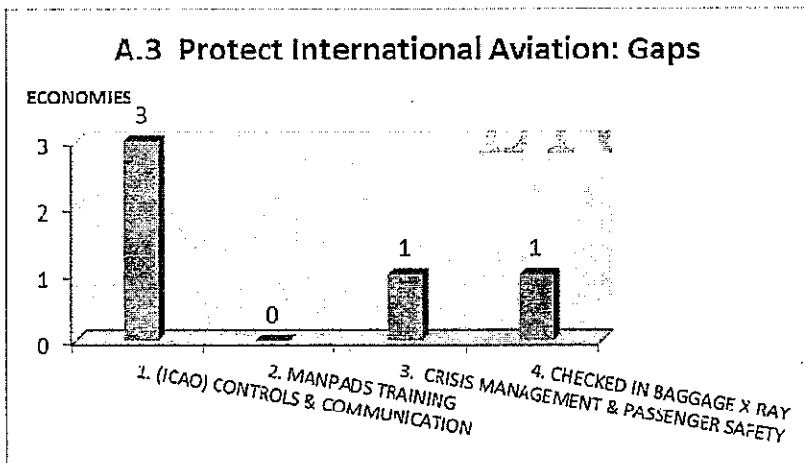
## A.2. PROJECT SHIPS ENGAGED IN INTERNATIONAL VOYAGES

### Capacity Building Needs



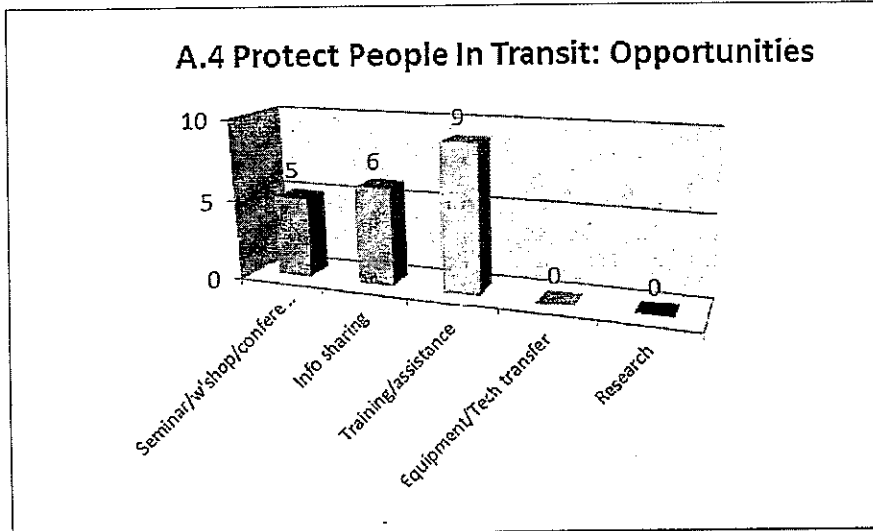
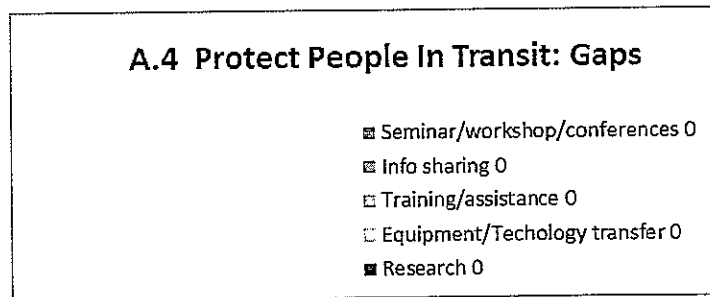
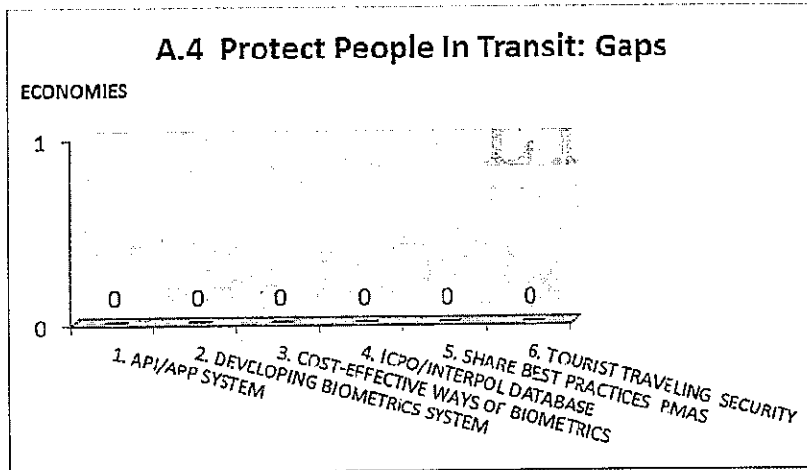
### A.3. PROTECT INTERNATIONAL AVIATION

#### Capacity Building Needs



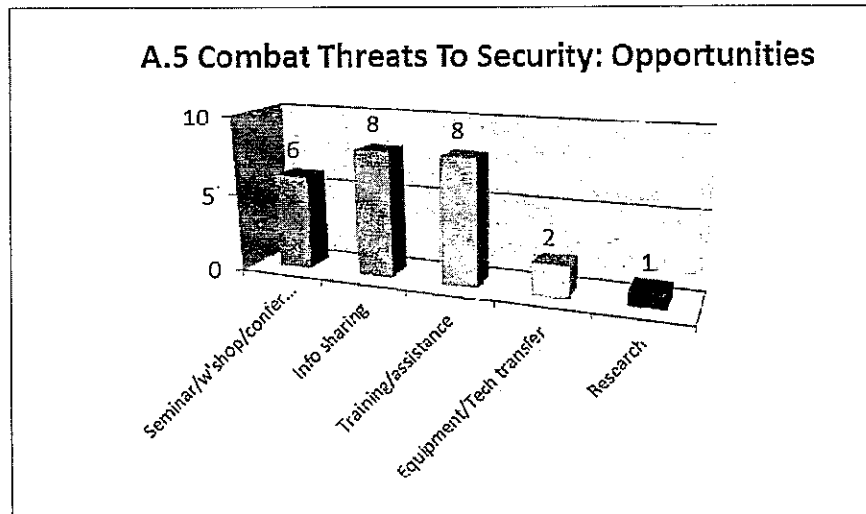
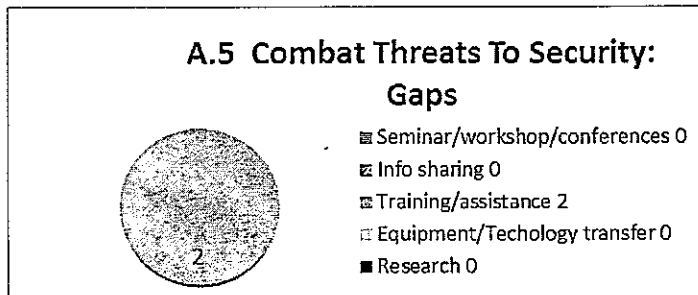
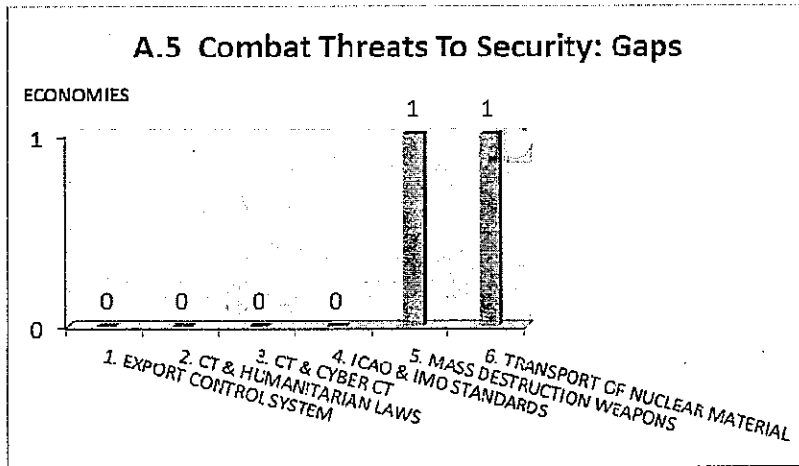
## A.4. PROTECT PEOPLE IN TRANSIT

### Capacity Building Needs



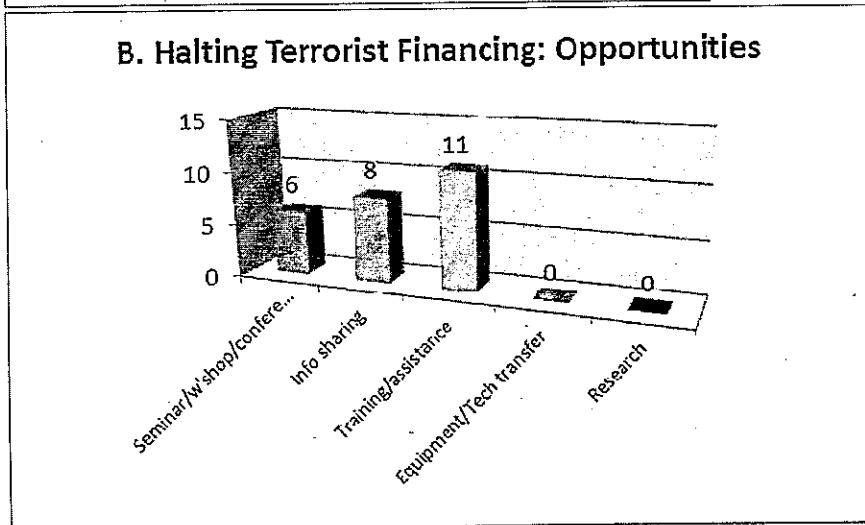
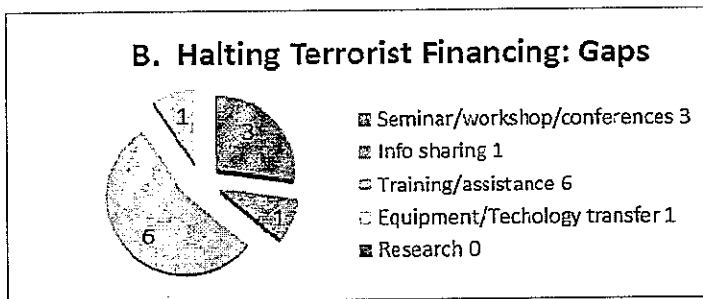
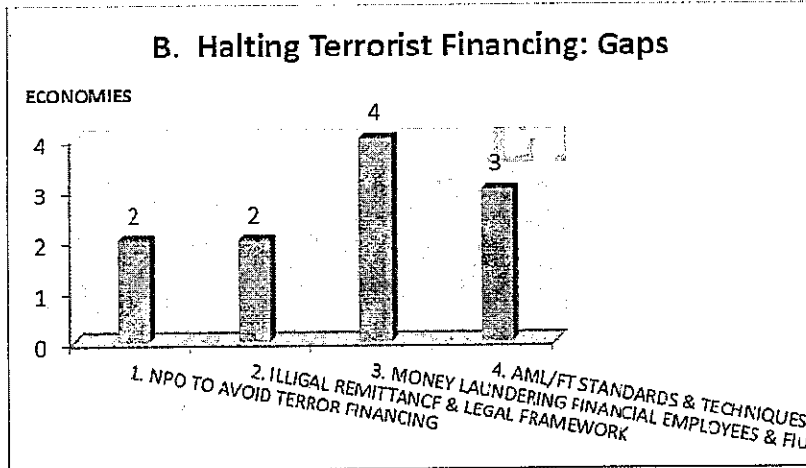
## A.5. COMBAT THREATS TO SECURITY

### Capacity Building Needs



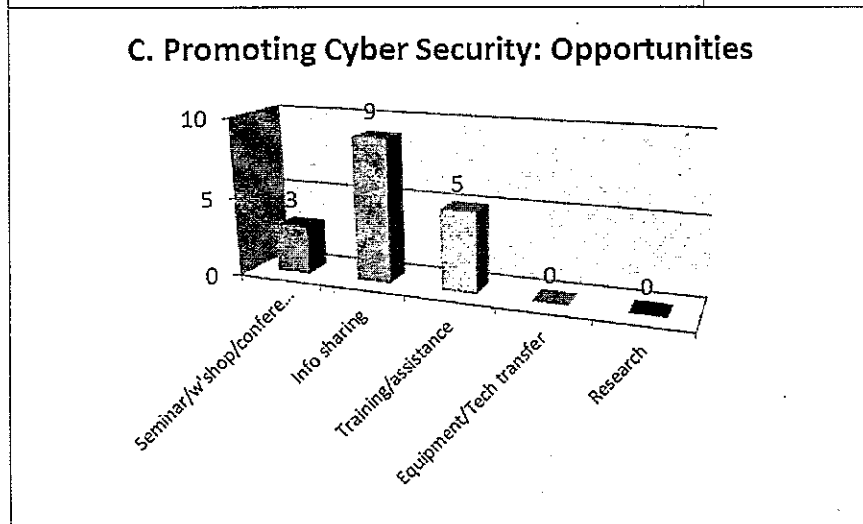
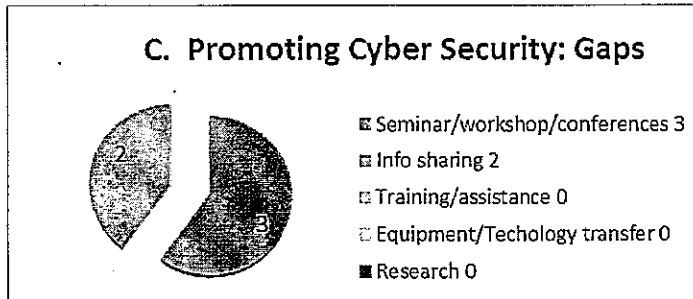
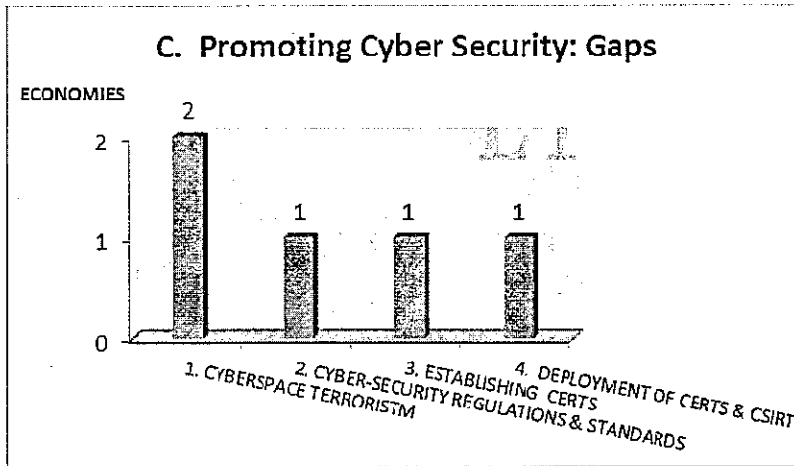
## B. HALTING TERRORIST FINANCING

### Capacity Building Needs



## C. PROMOTING CYBER SECURITY

### Capacity Building Needs





## Identifying Priorities

### 1.-Sum of all needs vs. opportunities (per section):

		Needs	Opportun.
A.1	Protect Cargo	18	70
A.2	Protect Ships Engaged in International Voyages	13	20
A.3	Protect International Aviation	5	15
A.4	Protect People in Transit	0	20
A.5	Combat Threats to Security	2	25
B.	Halting Terrorist Financing	11	25
C.	Promoting Cyber Security	5	17
	<b>Total</b>	<b>54</b>	<b>192</b>

### 2.-Most selected categories of Capacity Building:

	Needs	Opportun.
Technical training and assistance	25	69
Educational opportunities for knowledge exchange such as seminars, workshops and conferences	15	42
Systems and mechanisms for information-sharing	8	74

### 3.-The top ranked preferences on Capacity Building activities:

		Needs
A.2.1	Piracy & Maritime Security	5
A.2.3	International Ship and Port Facilities Security Code (ISPS Code) and international ISPS Code exercises.	5
B.3	Money Laundering Financial Employees & FIU	4
A.1.3	Risk Assessment Rules	3
A.1.6	Cargo Security Pilot Projects	3
A.1.12	Cargo Security	3
A.2.2	Ship & Port Security	3
A.3.1	(ICAO) Controls & Communication	3
B.4	AML/FT Standards & Techniques	3
A.1.2.	AEO Scheme	2
A.1.5	APEC Framework	2
A.1.10	High-Risk, Drugs & Hazardous Cargos	2
B.1	Illegal Remittance & Legal Framework	2
B.2	API/APP System	2
C.1	Cyberspace Terrorism	2
	<i>The rest of the C.B. activities have 1 or less preferences</i>	

## ✓ Conclusions/Recommendations

- This year the Secretariat received nine CTAP updates, four less than in 2012 (13 updates received), and seven less than in 2011 (16 updates received). The process of receiving information at internal level may be challenging because several agencies are involved in this process. However members are encouraged to a regular reporting in order to maintain sound the CTAP reporting process.
- This year most members sent individual tables filled with options on five specific categories on capacity gaps and opportunities. This method allowed to translate narrative-styled information into quantitative data without misinterpretations.
- The data collected in the matrix to set up the charts also allows to identify which economy is needing what capacity and which economy is willing to provide it. However the current reporting template (the present endorsed Summary Report template) doesn't show this information, which is available in the matrix. If requested the Secretary can share the matrix or the individual tables, or members may want to add that information to this template.
- Results show in general more opportunities than gaps: 192 vs 54, especially in sections A1 Protect Cargo 70 vs 18. Results also show more gaps in subsections A.2.1. Piracy & Maritime Security and A.2.3 International Ship and Port Facilities Security Code and ISPS Code exercises. Members may notice that Piracy & Maritime security has been chosen as the priority number one for capacity gaps in three consecutive years.
- Sometimes there is no coincidence between gaps and opportunities. For instance this year economies can provide as many as 20 capacity activities in the section *A.4 Protect People In Transit*, but no gap is reported by economies in that particular section.
- Some CTAPs updates reported gaps or opportunities in specific subjects which are not considered in the sections and subsections A, B and C, such as the Major Event Security. On the other hand there are some subjects where no gap has been reported in the last three years, such as subsection *A.4 Protect People in Transit 3. Technological transfer and other cost - effective ways to ensure effective usage of biometrics*, among others. Members may want to consider to update the sections A, B and C by adding new capacity activities subjects and maybe to take away options where no regularly gaps are reported.



**Asia-Pacific  
Economic Cooperation**

---

2014/SOM1/CTWG/017

Agenda Item: 8

 **Secure Finance Workshop on Countering the  
Financing of Terrorism with New Payment Systems**

Purpose: Consideration  
Submitted by: United States



**1<sup>st</sup> Counter-Terrorism Working Group Meeting  
Ningbo, China  
22-23 February 2014**

**APEC CTWG Secure Finance Workshop on  
Countering the Financing of Terrorism with New Payment Systems**

Project Proposal

**Name of Project:** APEC CTWG Secure Finance Workshop on Countering the Financing of Terrorism with New Payment Systems

**Goal of Project:** The goal of this U.S.-sponsored workshop is to expand participants' understanding of new payment systems (NPS) and to raise awareness of the potential benefits and risks associated with NPS, particularly the risk of NPS financing terrorism. The workshop will increase participants' understanding of a broad range of NPS, including mobile phone-based payment systems, prepaid access, Internet payments systems, and virtual currencies. It will also familiarize participants with the various NPS business models and operations and will examine how NPS can facilitate financial inclusion and economic development. It will focus in depth on the terrorist finance risks associated with NPS as well as other risks such as money laundering and consumer fraud.

In 2012, APEC Leaders affirmed "commitments to implement the APEC Consolidated Counter-Terrorism and Secure Trade Strategy (CT/ST Strategy) and support deeper cooperation and capacity building across the CT/ST Strategy's priority areas of secure trade, travel, finance, and infrastructure to make regional commerce more secure, efficient, and resilient." This affirmation built on the 2011 endorsement of CT/ST Strategy by APEC Ministers. In 2013, APEC Ministers "recognized the continuing threat of terrorism in the Asia-Pacific region and the importance of mitigating this threat as we seek to achieve APEC's vision and objectives and... reiterated their commitment to APEC's [CT/ST Strategy]." Ministers further noted the importance of continued and close cooperation with the private sector and relevant multilateral organizations in implementing the CT/ST Strategy, which is a key component of this proposal.

**Background:** NPS, particularly mobile payments, are emerging as important tools to promote financial inclusion by providing essential financial services, including domestic and international remittances, to financially excluded populations. NPS are also important in supporting lower cost, more efficient payments that facilitate trade and economic development. At the same time, the emergence of NPS in the Asia-Pacific region brings with it the need for APEC economies to implement risk-based Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) controls to help prevent the misuse of NPS. NPS also present a variety of regulatory and law enforcement challenges, as they are largely unregulated. Some NPS involve disaggregated infrastructure, with components spread across multiple jurisdictions, making AML/CFT supervision and enforcement responsibilities unclear. Many NPS rely on non-face-to-face customer relationships and funds transfers, which increases the opportunity for anonymous transactions. The efficiency with which NPS can facilitate cross border transfers makes them attractive to transnational terrorists and criminals who extensively use virtual payments systems.

**Project Proposal:** This workshop will provide working-level financial crimes policy and operational representatives from APEC economies' legal, regulatory, investigative, enforcement, and prosecution units the opportunity to engage and help develop or reinforce the capacities to promote the licit and transparent use of NPS and to effectively counter the illicit uses of NPS. Specifically, the workshop would include:

1. Presentations by APEC subject matter experts that address the regulatory, financial intelligence, investigation and prosecution aspects of NPS.
2. Table-top exercises that use scenarios to identify and address the challenges in regulating, investigating and prosecuting cases in which NPS are used, particularly by terrorists.
3. Participants will identify regulatory and enforcement gaps and propose future efforts to address these gaps and vulnerabilities.

**Proposed Timeline of Project:**

Spring 2014:

- ✓ Seek a host economy

Summer-Fall 2014:

- ✓ Conduct the workshop

**Expected Outcomes:**

1. Enhanced regional understanding of the potential benefits and risks presented by NPS—in particular, mobile payments, prepaid access, Internet payments systems, and virtual currency
2. Initiation of efforts by APEC countries to develop an appropriate risk-based regulatory framework for these new payments methods with the twin aims of facilitating financial inclusion while safeguarding APEC economies from illicit finance abuse.





**Asia-Pacific  
Economic Cooperation**

---

**2014/SOM1/CTWG/016**

Agenda Item: 8

## **Secure Infrastructure Workshop on Critical Infrastructure Security and Resilience**

Purpose: Consideration  
Submitted by: United States



**APEC**  
CHINA 2014

**1<sup>st</sup> Counter-Terrorism Working Group Meeting  
Ningbo, China  
22-23 February 2014**

**APEC CTWG Secure Infrastructure Workshop on  
Critical Infrastructure Security and Resilience**

Project Proposal

**Name of Project:**APEC CTWG Secure Infrastructure Workshop on Critical Infrastructure Security and Resilience

**Goal of Project:** The goal of this U.S-sponsored project is to implement the ideas for ensuring the security and resilience of critical infrastructure from the June 2013 APEC Policy Dialogue on Critical Infrastructure Protection (CIP), which took place in Medan, Indonesia. At the dialogue, participants shared their different understandings of and approaches to secure and resilient infrastructure. Participants also voiced their support for developing an inclusive and integrated approach that includes close cooperation with other APEC sub-fora, the private sector, and international organizations. The workshop would leverage the knowledge and expertise of APEC subject matter experts to create a common framework and definition of key elements for coordinating regional critical infrastructure security and resilience (CISR) in the Asia-Pacific. These elements would enable APEC economies to develop, refine, and enhance national and/or regional critical infrastructure security and resilience plans. Additionally, this project would engage and leverage the knowledge of public and private parties along with relevant multilateral organizations to create a common framework and definition of key elements of coordinating regional CISR mechanisms.

Developing a common, comprehensive approach to CISR, including the use of standardized terminologies and common concepts across APEC economies, would foster cooperation on CISR and enhance both national and regional CISR. This workshop would include an interactive, facilitated, incident-based discussion aimed at testing the key elements and promoting common understandings of and approaches to CISR. The initial workshop deliverable would be to identify and define the key elements of a common regional approach to CISR. The workshop would also establish a common basis for continued capacity building on CISR, including through the sharing of lessons learned and best practices.

The project directly responds to APEC Leaders' statements on counter-terrorism and to the APEC Consolidated Counter-Terrorism and Secure Trade Strategy (CT/ST Strategy), along with the Counter-Terrorism Task Force Strategic Plan for 2013-2017, because it has a strict focus on supporting and promoting secure infrastructure, which supports secure supply chains, secure travel, and secure finance. Support to these initiatives was reaffirmed in 2012 by Leaders, who stated "we reaffirm our commitments to implement the APEC Consolidated Counter-Terrorism and Secure Trade Strategy and support deeper cooperation and capacity building across the Strategy's priority areas of secure trade, travel, finance, and infrastructure to make regional commerce more secure, efficient, and resilient."

**Background:** Critical infrastructure facilitates trade and travel across the APEC region. Economies, industries, and especially infrastructure are heavily integrated across the APEC region. A natural disaster or a terrorist incident affecting critical transportation, communication or energy infrastructure, for example, could be extremely disruptive. APEC economies face varied challenges as they seek together to enhance the security, efficiency, and resilience of critical infrastructure in a manner consistent with the CT/ST Strategy. An integrated, regional approach to secure and resilient infrastructure could benefit APEC economies considerably by reducing gaps or vulnerabilities while promoting cooperation and capacity building in support of continued regional growth and prosperity.

**Proposed Timeline of Project:**

Spring 2014

- Secure co-sponsors including a host economy

Summer 2014:

- Conduct the APEC Secure Infrastructure Workshop



**Expected Outcomes:**

1. Enhanced information exchange among APEC subject matter experts in the area of secure and resilient infrastructure;
2. Self-matching of economies that have expertise in secure and resilient infrastructure with economies seeking to develop or improve their CISR capacity/capabilities;
3. Identification of key elements, including shared definitions and concepts, for a coordinated regional approach to secure and resilient; and
4. Establish a basis for continued cooperation and capacity building to enhance secure and resilient infrastructure across the Asia-Pacific region.





**Asia-Pacific  
Economic Cooperation**

---

2014/SOM1/CTWG/018

Agenda Item: 8

**Draft Report: Protecting Designated Non-Financial  
Businesses and Professions (DNFBPs) from  
Terrorist Financing**

Purpose: Information  
Submitted by: Australia



**1<sup>st</sup> Counter-Terrorism Working Group Meeting  
Ningbo, China  
22-23 February 2014**

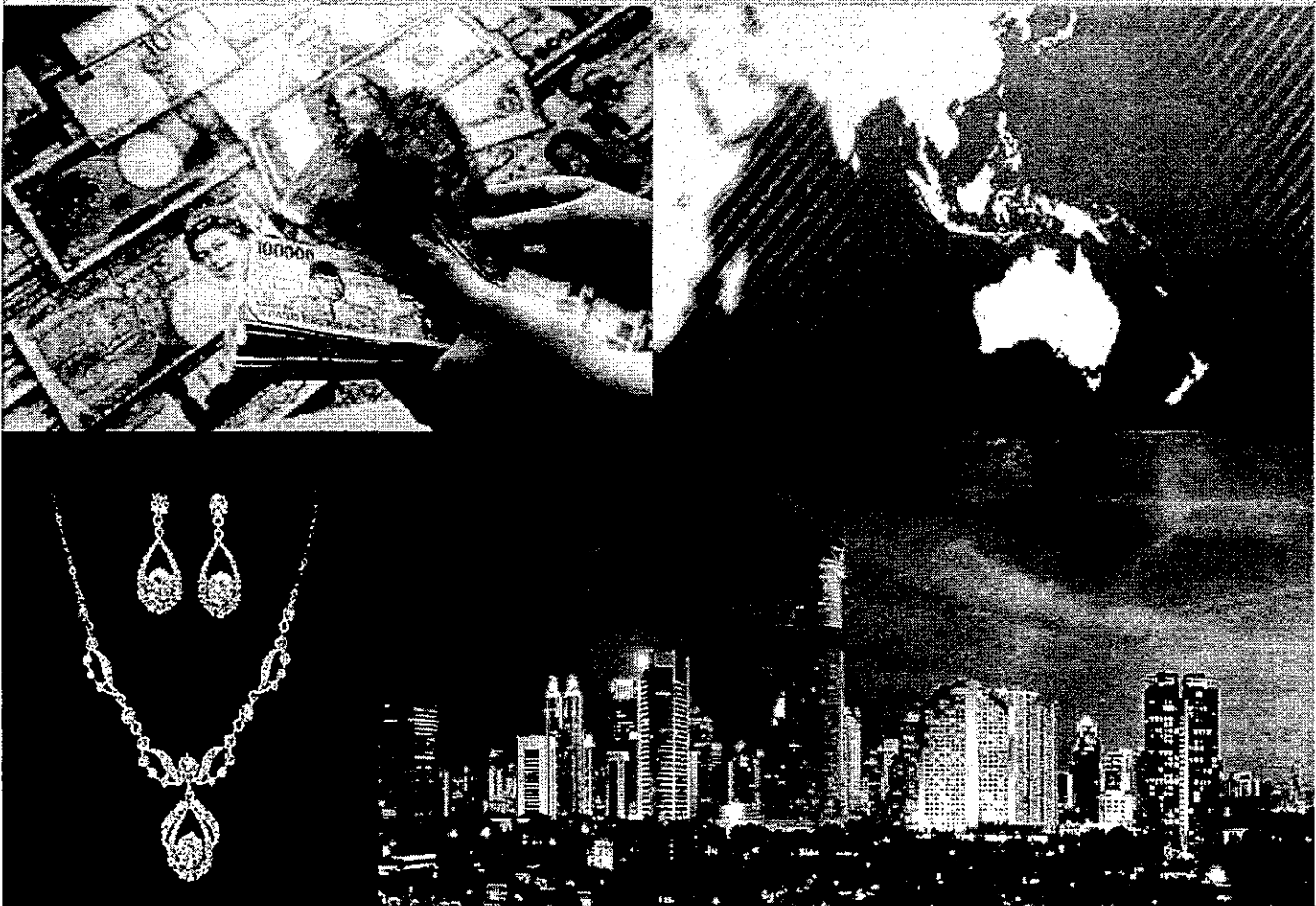


**Asia-Pacific  
Economic Cooperation**

Advancing Prosperity

**COUNTER TERRORISM WORKING GROUP**

**Protecting designated non-financial businesses  
and professions (DNFBPs) from terrorist financing**



**DRAFT FINAL  
REPORT**

**February 2014**

CTWG XX 2014X

Prepared by:  
Department of Foreign Affairs and Trade  
R.G. Casey Building  
John McEwen Crescent  
Barton ACT 0221 Australia  
Website: [www.dfat.gov.au](http://www.dfat.gov.au)

Produced for:  
APEC Secretariat  
35 HengMuiKeng Terrace Singapore 119616  
Tel: (65) 68919600 Fax: (65) 68919690  
Email: [info@apec.org](mailto:info@apec.org) Website: [www.apec.org](http://www.apec.org)

© 2014 APEC Secretariat

APEC# XXX-XX-0X.X

# Acknowledgements

The project team acknowledge the valuable assistance and advice provided by colleagues at the Australian Transaction Reports and Analysis Centre (AUSTRAC) and the Australian Attorney-General's Department in developing this project.

The authors are also grateful for the feedback on earlier drafts of this report provided by the Asia/Pacific Group on Money Laundering, the Terrorism Financing Investigations Unit of the Australian Federal Police (AFP), and [insert other agencies if required].

We are appreciative to the economies that hosted workshops as part of the project, including Singapore, Indonesia and the Philippines, as well as to the governmental and non-governmental experts who participated in the process and helped inform the project's findings and recommendations. We are particularly grateful to the members of the Counter Terrorism Working Group and officials from FATF and relevant FATF-style regional bodies for their involvement in the project.

The views expressed are not necessarily those of the Australian Government.

# Table of contents

<b>Acronyms</b> .....	vi
<b>Foreword</b> .....	vii
<b>Executive summary</b> .....	ix
<b>Introduction</b> .....	1
Scope of the current report .....	7
Methodology .....	7
Workshops .....	8
Limitations of the research .....	10
Box 1: Risk Assessment workshop: Singapore .....	11
Box 2: Capacity building workshops: Jakarta& Manila .....	12
<b>Definition of Designated non-financial businesses and professions</b> .....	13
Legal professionals .....	14
Casinos .....	15
Real estate agents .....	15
Dealers in precious metals and stones .....	16
Trust and company service providers .....	18
<b>The characteristics and regulation of DNFBPs in selected APEC economies</b> .....	19
Australia .....	19
Brunei Darussalem.....	19
Canada.....	20
Chile .....	20
People's Republic of China .....	20
Hong Kong, China .....	21
Indonesia.....	21
Japan.....	22
Republic of Korea.....	22
Malaysia .....	22
Mexico .....	23
New Zealand .....	23
Papua New Guinea .....	23
Peru.....	24
The Philippines.....	24
Russia .....	24
Singapore .....	25
Chinese Taipei .....	25
Thailand.....	25

The United States .....	26
Viet Nam.....	26
<b>Conclusion and Recommendations .....</b>	<b>27</b>
Recommendations .....	28
Future directions .....	29
<b>References.....</b>	<b>30</b>
<b>Annex 1.Characteristics and regulation of DNFBPs across APEC economies .....</b>	<b>a</b>
Chart 1: Inclusion of DNFBPs in AML/CTF regimes across APEC economies.....	b
Guidance material for DNFBPs.....	c



# Acronyms

<b>AGD</b>	Attorney-General's Department
<b>AFP</b>	Australian Federal Police
<b>AML/CTF</b>	Anti-money laundering/counter-terrorism financing
<b>ARS</b>	Alternative remittance system
<b>APG</b>	Asia/Pacific Group on Money Laundering
<b>AUSTRAC</b>	Australian Transactions Reports and Analysis Centre
<b>CTWG</b>	Counter Terrorism Working Group
<b>CDD</b>	Customer due diligence
<b>DNFBP</b>	Designated non-financial business and profession
<b>DFAT</b>	Department of Foreign Affairs and Trade
<b>FATF/GAFI</b>	Financial Action Task Force on Money Laundering / Grouped'action financière
<b>FIU</b>	Financial intelligence unit
<b>FSRB</b>	FATF-style regional body
<b>NPO</b>	Not-for-profit organisation
<b>SRO</b>	Self-regulatory organisation
<b>STR</b>	Suspicious transaction report

# Foreword

The traditional focus of technical assistance and capacity building in counter-terrorism financing has been on financial institutions. There has been less focus on addressing the vulnerabilities faced by non-financial businesses and professions in relation to terrorist financing. Yet such entities, collectively known as Designated Non-Financial Businesses and Professions (DNFBPs)<sup>1</sup> can be misused to assist in the financing of terrorism in a number of ways. Money from terrorists' illicit fundraising activity needs to be laundered, effectively distributed, and used by the organisation, as well as to be kept hidden from authorities. DNFBPs provide opportunities to launder funds to achieve these purposes. In this regard, DNFBPs can be used to transfer or store value outside the heavily regulated sectors, or provide advice on how affairs can be structured to minimise the chance of detection. The Financial Action Task Force on Money Laundering / Grouped'actionfinancière (FATF/GAFI) has recognised the risks and imposed obligations on DNFBPs, acknowledging the potential for abuse that exists within these sectors. Economies within the Asia-Pacific Economic Cooperation (APEC) are not immune from such challenges.

Since 2001, APEC Leaders and Ministers have consistently called for stronger measures among APEC economies to counter money laundering and terrorist financing (ML/TF) as an integral part of APEC's broader human security agenda. In direct response to the priorities set by APEC Leaders in recent years – most recently the "Integrate to Grow, Innovate to Prosper" pillar of the APEC Leader's Growth Strategy declared at 20thAPEC Summit in Vladivostok – this project furthers the development and promotion of national policies and regional level responses to combat ML/TF. Money launderers and terrorist financiers continually look for new methods to obscure the origins of funds to give legitimacy to their activity, and in doing so, may exploit the non-financial sector business and professional sectors in order to facilitate the laundering of illicit funds and the financing of terrorist activities. As a result, agencies involved in ML/TF prevention need to remain vigilant to such practices to ensure AML/CTF programs, processes, and training match the ever-changing levels of ML/TF risk.

To help combat this issue, Australia led an initiative which aims to assist public sector officials from APEC economies in best practice approaches to protecting DNFBPs against terrorist financing. The project has been led by the Department of Foreign Affairs and Trade (DFAT), in collaboration with Australian AML/CTF agencies and international counterparts, and is part of the planned measures included in the Australian APEC Counter-Terrorism Action Plan (CTAP). The project received Counter Terrorism Working Group (CTWG) endorsement in February 2012 and is supported by funding from the Australian Agency for International Development (AusAID).

The project was first conceived as a dialogue among key stakeholders that are invested in and affected by this issue, with the intention of both *protecting* the sector and *preventing* terrorist abuse of DNFBPs. The key objectives of the project are to:

---

<sup>1</sup>The FATF's suggested definition of designated non-financial businesses and professions (DNFBPs) encompasses casinos, real estate agents, dealers in precious metals, dealers in precious stones, legal practitioners, notaries and other lawyers, accountants, and trust and company service providers.

- *promote* greater awareness of the risks posed by terrorists channelling funds through designated non-financial businesses and professions; and
- *to enhance* the risk assessment capabilities of the participating economies.

The main beneficiaries of the project are the APEC economies of Indonesia and the Philippines. Other economies including Peru, Malaysia, Chinese Taipei, Mexico and the United States have also participated and contributed to the discussions and Australia's strategic thinking on the issue. As a core outcome, it is hoped that the project will lead to more effective policy responses and implementation of robust regulatory frameworks to protect the non-financial business and professional sector. More broadly the program provides unique benefits for APEC members to develop and demonstrate best practice in the region. Such opportunities heighten the value of APEC membership.

This report presents the key findings of the research and workshop activities that have occurred throughout the 12-month project. The report outlines the level of terrorist financing risk posed to DNFBPs more generally and the current preventative mechanisms in place to combat these risks. The report also presents an overview of the extent of regulation of non-financial businesses and professions in the broader APEC region, including Australia. It is hoped that although variations in legislative and regulatory practices exist, such a comparative approach may serve to encourage the sharing of experiences and best practice approaches to DNFBP regulation among APEC members and beyond.

# Executive Summary

The international recognition of the risks and vulnerabilities associated with money laundering and terrorism financing is evidenced by the creation of the Financial Action Task Force (FATF/GAFI) in the late 1980s. The FATF is an inter-governmental body whose purpose is to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. First issued in 1990, the FATF Recommendations were subsequently revised in 1996, 2001 (following the September 11 attacks on the United States), 2003 and most recently in 2012 to ensure that they remain up to date and relevant, and intended for universal application.<sup>2</sup>

The FATF has long expressed concern that certain non-financial businesses and professions may be vulnerable to becoming involved in illicit transactions that may facilitate money laundering and financing of terrorism. In 2003, the Recommendations were revised to include designated non-financial businesses and professions (DNFBPs) within the global AML/CTF regulatory regime. As a result of this review, FATF designated the following categories of non-financial businesses and professions: casinos, real estate agents, dealers in precious metals, dealers in precious stones, trust and company service providers, and legal practitioners, notaries, other legal professionals and accountants who provide services to external clients. Many governments around the globe were now required to examine the need to extend the application of their AML/CTF legislation to specified services within these businesses and professional sectors.

The money laundering risks posed to non-financial businesses and professions are well documented in the AML/CTF literature.<sup>3</sup> The potential vulnerability of these sectors prompted FATF to publish a series of guidance papers for the non-financial business and professional sectors, namely the legal profession, accountants, dealers in precious metals and stones, real estate agents and trust and company service providers.<sup>4</sup> More recently, FATF members have conducted an operational level study on the ML/TF vulnerabilities of the legal profession.<sup>5</sup> Other multilateral policy groups such as the Egmont Group of Financial Intelligence Units (The Egmont Group) are currently examining ML/TF through the trade of diamonds and other precious metals.<sup>6</sup>

While the means by which DNFBPs may be misused to facilitate money laundering are well documented, the vulnerabilities faced by DNFBPs in relation to terrorist financing are less clear. However DNFBPs may be misused to assist the financing of terrorism in a number of ways. Money from terrorists' illicit fundraising activity may need to be laundered, effectively distributed, and used by the organisation, as well as to be kept hidden from authorities. DNFBPs provide opportunities to launder funds to achieve these purposes.

---

<sup>2</sup>At the time of writing, the new International Standards had only just been implemented. Therefore, FATF members had not yet been assessed on the new FATF Methodology. The new round of evaluations will begin in 2014. The FATF currently comprises 34 member jurisdictions and 2 regional organisations, representing most major financial centres in all parts of the globe.

<sup>3</sup>For an Australian example, Choo K-K R, Smith R G, Walters J & Bricknell S. 2011. Perceptions of money laundering and financing of terrorism in a sample of the Australian legal profession, in *Research and Public Policy Series*, Australian Institute of Criminology, Canberra; see also FATF Guidance papers below.

<sup>4</sup>The range of FATF Guidance papers include the legal profession (October 2008); accountants (June 2008); dealers in precious metals and stones (June 2008); the real estate sector (June 2008) and trust and company service providers (June 2008).

<sup>5</sup>FATF, *Money Laundering and Terrorist Financing Vulnerabilities of Legal Professionals*, June 2013.

<sup>6</sup>Forthcoming publication.

The present study examines the specific terrorist financing risks posed to non-financial businesses and professions in APEC economies. This report is a culmination of both a review of public source information and the results of workshop activities undertaken as part of the Australian-led project over 2012-13.

The study shows there is a general lack of information on the size and scope of DNFBP sectors in APEC economies and specifically on the terrorist financing risks they face. This finding was consistent with the views of workshop participants who agreed there was no 'one size fits all' approach to the regulation of DNFBP sectors. The report notes that the context of each economy's terrorist financing activities determines its regulatory approach and economies' DNFBP regulations must be tailored for the specific business and professional sector of that economy.

Generally, information on terrorist financing in the business and professional groups of the participating APEC economies was limited. This finding is consistent with the results of aforementioned studies.<sup>7</sup> Contributing to this finding is most likely the lack of empirical information (namely terrorist financing cases) which involve DNFBPs. Participating APEC economies reported a limitation in assessing the level of risk amongst those businesses and professionals operating within legislative controls (i.e. regulated entities) and it is among the non-regulated sectors where levels of risk may be higher. This was certainly the case for the professional sectors (such as lawyers and accountants). As a result, APEC economies are encouraged to remain vigilant in protecting both the formal and informal business and professional sectors from potential abuse by terrorist financiers.

In terms of the currency of the research, it is important to note this project took place in the transition period between the former 40+9 Recommendations and the implementation of the revised FATF Standards. Therefore, economies' regulatory and legislative approaches to DNFBPs were reviewed based on data from the former (3<sup>rd</sup>) round of FATF Mutual Evaluations. A further review of such approaches after the 4<sup>th</sup> round of evaluations would be beneficial, given the information provided in the 3<sup>rd</sup> round is now largely out-dated and may not reflect current regulatory practices.

In terms of future research, the provision of terrorist financing case studies and further typology studies on the flow of funds from DNFBPs would be beneficial, if available. The role of certain DNFBPs in channelling funds through not-for-profit organisations (NPOs) may also warrant further research. As noted above, a review of information contained in the forthcoming FATF 4<sup>th</sup> round of mutual evaluations may provide a more up to date picture of economies' current progress on DNFBP regulation.

---

<sup>7</sup>FATF, *Money Laundering and Terrorist Financing Vulnerabilities of Legal Professionals*, June 2013; see also FATF Guidance papers as cited above.

# Introduction

In October 2001, the FATF expanded its mandate beyond anti-money laundering to include countering the financing of terrorism and as such, issued a set of special recommendations on terrorist financing to complement existing standards aimed at countering the global issue of money laundering.<sup>8</sup> These special recommendations contain a set of measures aimed specifically at combating the funding of terrorist acts and terrorist organisations.

A major concern for global standard setters such as the FATF and domestic regulatory authorities is that as banking and other financial institutions work toward full compliance with anti-money laundering/counter-terrorism financing (AML/CTF) legislation, those seeking to facilitate or engage in acts of terrorism may increasingly target alternative funding channels, such as the professional and non-financial business sectors. Before examining the ways in which DNFBPs can be misused to finance terrorism, it is important to first consider the terrorist financing lifecycle (collection, transmission and use of funds) and how funds can be raised, moved and used in each phase of the cycle. Second, this section will briefly review some of the challenges to detecting and deterring terrorist financing. Third, the scope and methodology of the report will be presented, followed by an analysis of the workshop activities undertaken as part of the 12-month project. Finally, the limitations of the research will be examined.

## Money laundering vs. terrorist financing

The early work of the FATF and other international bodies largely focused on the similarities between money laundering and terrorist financing and often approached the topic with the same lens.<sup>9</sup> While terrorist financing does share many similarities with money laundering, it can take many forms and transactions involving terrorist financing often display unique characteristics. The literature on terrorist financing developed since 2001 emphasises that terrorist financiers, like criminal enterprises, are showing increasing adaptability and opportunism in meeting their funding requirements.<sup>10</sup> Terrorist organisations continue to demonstrate the ability to tap into a range of resources to move funds within and between organisations, through the conventional financial sector, via informal modes such as cash couriers and, and perhaps the most well documented, through alternative remittance systems and the not-for-profit sector.

Money laundering usually involves processing illicit profits in ways which mask ownership and make the funds appear to have come from legitimate sources.<sup>11</sup> Traditionally, the money laundering cycle involves a three-stage process:

- **Placement.** Introducing illegal funds into the formal financial system.
- **Layering.** Moving, dispersing or disguising illegal funds or assets to conceal their true origin (for example, using a maze of complex transactions involving multiple banks and accounts, or corporations and trusts).

<sup>8</sup>The FATF issued 8 Special Recommendations on Terrorism Financing in October 2001, following the September 11 terrorist attacks. The FATF issued a ninth Special Recommendation on Terrorism Financing in October 2004.

<sup>9</sup>FATF, *Terrorist Financing*, 29 February 2008, pp. 5.

<sup>10</sup>See Williams, P. 2005. 'Warning indicators, terrorist finances, and terrorist adaptation,' *Strategic Insights*, Vol. IV, No.1, US Naval Postgraduate School. For an in-depth analysis on Al-Qaeda and Jemaah Islamiyah, see Abuza, Z. 2003. 'Funding Terrorism in Southeast Asia: The Financial Network of Al Qaeda and Jemaah Islamiyah,' *NBR Analysis*, National Bureau of Asian Research, Vol. 14: No.5, December.

<sup>11</sup>AUSTRAC, *Money Laundering in Australia 2011*, pp. 8.

- **Integration.** Investing these now distanced funds or assets in furtherance of criminal activity or legitimate business, or purchasing high-value assets and luxury goods. At this stage the funds or assets appear to have been legitimately acquired.<sup>12</sup>

Unlike the traditional money laundering cycle, some experts view the terrorist financing process through an alternate model, namely the *collection, transmission* and *use* of funds.<sup>13</sup> The initial collection of funds can either occur from clean money or from criminal activity. The transmission or movement of funds consists of a series of transactions designed to conceal the origin of the funds, much like a money launderer or criminal would do. Lastly, the funds are used for a terrorist act or to support the broader organisation (refer Box 1: Risk Assessment workshop: Singapore).

## Collection of funds

Terrorist financiers are known to use a variety of methods to collect or raise funds to support and promote their objectives. While most money laundering funds derive from other criminal offences, such as drug trafficking, kidnapping or robbery, the source of terrorist funds are frequently legitimate.<sup>14</sup> Examples of legitimately obtained income may include charitable contributions (via not-for-profit organisations and *hawala*<sup>15</sup>, for example), salaries, sale of assets or welfare benefits. According to the FATF, these types of legitimate sources of funds can be described as *financing from below*.<sup>16</sup> These ostensibly legitimate social or charitable activities are needed to provide a 'veil of legitimacy' for organisations that promote their objectives through terrorism. Other sources of money may be raised through state sponsorship and popular support among communities, or what FATF describes as *financing from above*.<sup>17</sup>

According to the FATF, there are numerous examples of terrorist attacks being self-funded, including through family and other non-criminal elements. Small amounts of money can be raised by individual operators using cash, savings, use of credit cards or the proceeds of legitimate businesses. For example, in the case of the 7 July 2005 London transport bombings, the bombings were planned inside the United Kingdom by British citizens who raised all the money locally for the attacks. Given the plotters only used cash which did not cross any national borders, it was difficult to track their financial activities. The official UK police report stated that:

*'Current indications are that the group was self-financed. There is no evidence of external sources of income. Our best estimate is that the overall cost is less than GBP 8,000.'*

*'The group appears to have raised the necessary cash [for overseas trips, bomb making equipment, rent, care hire] by methods that would be extremely difficult to identify as related to terrorism or other serious criminality.'*<sup>18</sup>

Moreover, the FATF suggests that because terrorist groups can often be highly decentralised, a relatively autonomous financial facilitator can contribute funds to the operation without directly being

<sup>12</sup> AUSTRAC, *Ibid*, pp. 9.

<sup>13</sup> Williams, C. 2010. *Potential and emerging areas of terrorism financing* presented at AUSTRAC workshop in Sydney. FATF also uses a similar model, although they focus on the ways terrorists raise, move and use funds.

<sup>14</sup> FitzGerald, V. 2003. 'Global Financial Information, Compliance Incentives and Conflict Funding', Working Paper no. 96, *QEH Working Paper Series – QEHWPS96*.

<sup>15</sup> A system for remitting money, primarily in Islamic societies, in which a financial obligation between two parties is settled by transferring it to a third party, as when money owed by a debtor to a creditor is paid by a person who owes the debtor money. Hawala transactions are usually based on trust and leave no written record.

<sup>16</sup> FATF, *Terrorist Financing*, pp. 11.

<sup>17</sup> *Ibid*, pp. 11.

<sup>18</sup> FATF, *Terrorist Financing*, pp. 14.

involved in the planning or facilitation of the attack.<sup>19</sup>Such factors make it extremely difficult for investigators to identify the sources of terrorist financing.<sup>20</sup>

## Transmission of funds

According to the FATF, terrorist financiers have tended to favour three main methods to move or transfer value. These include the financial system, the physical movement of money (mainly through cash smuggling via couriers), and through the international trade system.<sup>21</sup>The formal financial sector has always been an attractive option given the speed and ease with which funds can be moved within the international financial system.<sup>22</sup>The movement of physical currency across borders via cash couriers continues to be a favoured option among terrorists and their associates, particularly in developing economies that are predominately cash-based, have poor electronic banking systems or among the unbanked.<sup>23</sup>Jemaah Islamiyah (JI) operatives, for example, were known to have used personal couriers to facilitate the movement of money throughout Southeast Asia to fund the Bali bombings.<sup>24</sup>However, the FATF notes that cash couriers have been known to be active even within Europe and between countries with functioning financial systems.<sup>25</sup>In such cases, moving money via cash couriers takes place to avoid detection by authorities.

Perhaps the most well documented of these transmission methods has been the misuse of alternative remittance systems (ARS), charities or other not-for-profit organisations (NPOs) to disguise the use of the above methods to transfer value. Services such as those provided by an ARS or an NPO are attractive to terrorist financiers due to high levels of anonymity, weak regulatory oversight and their ability to transmit funds to, from and within high-risk conflict zones.<sup>26</sup>

Another method for transferring value has been through the smuggling and trading of commodities such as precious metals and stones. Indeed, the FATF notes that 'the high intrinsic worth and their compact nature appear to make the gold and diamond sectors attractive as a cover for laundering illegal funds as well as a laundering vehicle in and of itself.'<sup>27</sup>The role of precious metals and stones dealers in relation to terrorist financing vulnerabilities will be discussed in the forthcoming section on DNFBPs.

## Use of funds: Financing the organisation, financing the operation

A successful terrorist organisation, like most criminal groups, needs to be able to build and maintain an effective financial infrastructure. For this they must develop sources of funding, a means of laundering those funds and then finally a way to ensure that the funds can be used to obtain material and other logistical items needed to commit terrorist acts.<sup>28</sup> In the case of al-Qaeda's Southeast Asian affiliate Jemaah Islamiyah, Abuza explains: 'money is important to JI, but only as much as it needs funds to buy weapons, explosives, pay for transport, maintain safe-houses, and bribe local officials.

---

<sup>19</sup> *Ibid.* pp. 14.

<sup>20</sup> According to investigators from the AFP's Terrorism Financing Intelligence Unit (TFIU), as reported in 'The accountant's guide to terrorism financing', In the Black website, 27 November 2012.

<sup>21</sup> FATF, *Terrorist Financing*, pp. 21.

<sup>22</sup> FATF, *Guidance for Financial Institutions in Detecting Terrorist Financing*, 29 February 2008.

<sup>23</sup> For example, according to a 2010 report on global financial inclusion, of the bankable population in the Philippines (estimated at 42.1 million people), approximately 69% of the population is unbanked. McKinsey & Company, 'Banking on mobile to deliver financial services to the poor,' in *Global Financial Inclusion: Achieving full financial inclusion at the intersection of social benefit and economic sustainability*, pp. 27.

<sup>24</sup> Abuza, Z. 2003. *Ibid.* pp 22.

<sup>25</sup> FATF, *Terrorist Financing*, pp. 23.

<sup>26</sup> Levitt, M. and Jacobson, M. 2008. *The Money Trail: Finding, Following and Freezing Terrorist Finances*. Washington D.C.: Washington Institute for Near East Policy.

<sup>27</sup> FATF, *Report on Money Laundering Typologies 2002-2003*, February 14, 2003, p. 19.

<sup>28</sup> FATF, *Guidance for Financial Institutions in Detecting Terrorist Financing*, *Ibid.*



But if you strip away the terrorist act itself, terrorists require the same infrastructure on which transnational crime relies.<sup>129</sup>

Terrorist financing requirements fall into two general areas: (1) raising funds, such as for direct costs associated with specific operations and (2) broader organisational costs to develop and maintain an infrastructure of organisational support. Funding for specific terrorist operations may include, for example, expenses for travel, explosive materials/weapons and vehicles. The funding required to maintain a terrorist network, organisation or cell is generally used to recruit members, provide training, promote ideology, fund general infrastructure and living costs, and support the families of terrorists.<sup>30</sup> According to Abuza, while funding terrorist operations can be relatively cheap, maintaining terrorist organisations does cost a significant amount of money:

...recruits need training, they need to travel, safe houses need to be bought, operatives are constantly on the move and need funds for living expenses as well as false identity papers and travel documents, and of course funds are needed for equipment and bomb making material.<sup>31</sup>

Indeed, it has been estimated that of al-Qaeda's income, 'about 10% [is spent] on operational costs. The other 90% goes on the cost of administering and maintaining the organization [sic].'<sup>32</sup>

Authorities and experts agree that funding a terrorist attack itself is not necessarily a costly exercise.<sup>33</sup> According to the FATF, the attacks on the London transport system had an estimated cost of GBP 8,000. The Bali bombings, which killed 202 people and led to the estimated loss of more than 1 billion in tourist revenue for Indonesia, cost an estimated USD 35,000 to 50,000 to plan and execute.<sup>34</sup> As Abuza argues, 'it is not the intrinsic value of money, but the capabilities that it gives terrorist organisation, that justifies targeting terrorist financing.'<sup>35</sup>

### Front companies and gatekeepers: How to disguise terrorist funds

While the formal/ informal banking sectors and charities continue to be favoured methods of sourcing and moving terrorist funds, the non-financial business and professional sectors are not immune from becoming involved in facilitating terrorist financing. Money from terrorists' licit and illicit fundraising activity needs to be laundered, effectively distributed, and used by the organisation, as well as to be kept hidden from authorities. DNFBPs provide opportunities to launder funds to achieve these purposes. In this regard, DNFBPs can be used to transfer or store value outside the heavily regulated sectors, or provide advice on how affairs can be structured to minimise the chance of detection.

There are two principal ways in which those in the DNFBP sector can become involved in the financing of terrorism: first, DNFBPs may generate terrorist funds which may or may not require laundering (depending on how the funds were initially raised); and secondly, DNFBPs may give advice to their clients, assist, encourage or otherwise facilitate terrorist financing or launder the funds generated by the illegal activities of their clients.<sup>36</sup>

<sup>29</sup> Abuza, Z. 2003. *Ibid.* pp 10.

<sup>30</sup> In the Black, 'The accountant's guide to terrorism financing.' *Ibid.*

<sup>31</sup> Abuza, Z. 2003. *Ibid.* pp 10.

<sup>32</sup> As reported in Ashley, Sean P. (2012). 'The Future of Terrorist Financing: Fighting Terrorist Financing in the Digital Age.' *Penn State University Journal of International Affairs*, Vol. 1, No. 2, pp. 10.

<sup>33</sup> See FATF *Terrorist Financing*, 2008, pp. 7; Abuza, Z. 2003, *Ibid.* pp. 10.

<sup>34</sup> According to FATF estimates, the Bali bombings cost approximately USD \$50,000. FATF, *Terrorist Financing*, pp. 13. Abuza reports a slightly lower estimate at approximately \$35,000. Abuza, Z. 2003. *Ibid.* pp. 10.

<sup>35</sup> Abuza, Z. 2003. *Ibid.* pp. 10.

<sup>36</sup> For a review of the perceptions of ML/TF in the Australian legal profession, see Choo K-K R, Smith R G, Walters J & Bricknell S. 2011. 'Perceptions of money laundering and financing of terrorism in a sample of the Australian legal profession', in *Research and Public Policy Series*, Australian Institute of Criminology, Canberra.

Like money laundering, those seeking to facilitate terrorist financing have often used conventional business structures and commercial activities. Central to legitimate business activity is the need to create corporate entities with which to carry out business transactions and to buy and sell property and other assets to expand opportunities and to maximise profits. Legitimate businesses provide terrorists with a convincing cover and salary, generate revenue, and may be used to conceal the transportation of terrorist materiel, alongside legitimate goods.<sup>37</sup> Abuza points out that the modus operandi of many al-Qaeda cells, particularly in Southeast Asia, was to establish businesses which could be used to finance terrorist activity.<sup>38</sup> The two most important, according to Abuza, were shell companies – ‘... corporate entities established with a minimum amount of capital, without substance or commercial purpose, that generated few (if any) profits, and whose primary purpose was to purchase materials or cloak other aspects of terrorist operations.’<sup>39</sup> The FATF further recognises terrorist financing may be a particular risk in business sectors which do not require formal qualifications (i.e. trades) where starting a business does not require substantial investments.<sup>40</sup> The FATF suggests the ‘... risk that a business will divert funds to support terrorist activity is greater where the relation between sales reported and actual sales is difficult to verify, as it the case with cash-intensive businesses’.<sup>41</sup>

Professional advisers also play a central role in facilitating these activities and both legitimate business people and those seeking to launder funds are able to make use of the services that professionals provide to expand their operations.<sup>42</sup> There is concern professional advisers could become party to facilitating the financing of terrorism on behalf of their clients. On the other hand, professionals themselves may seek to generate terrorist funds, including where they have acquired funds illegally from their clients, or otherwise engaged in dishonest business practices, and wish to disguise their origins. By offering a ‘veil of legitimacy’, the use of professionals can inadvertently provide even greater discretion through the application of legal professional privilege.<sup>43</sup>

Professionals may also be targeted by those wishing to hide the source of terrorist money owing to the fact that laundering has become a higher risk activity for those who make use of the regulated financial services sector. If the activity becomes too difficult owing to the presence of effective regulatory measures, terrorist financiers may seek out easier and less risky channels of disguising funds. In the words of the FATF:

Regardless of the strength and effectiveness of AML/CTF controls, criminals will continue to attempt to move illicit funds undetected and will, from time to time, succeed. They are more likely to target the DNFBP sectors if other channels become more difficult. For this reason, DNFBPs... may be more or less vulnerable depending on the effectiveness of the AML/CTF procedures applied in other sectors.<sup>44</sup>

---

<sup>37</sup>Kaplan, E. ‘Tracking down terrorist financing.’ Council on Foreign Relations: *Backgrounder*. April 4, 2006.

<sup>38</sup>Abuza, Z. 2003. *Ibid.* pp 34.

<sup>39</sup>Abuza, Z. 2003. *Ibid.*

<sup>40</sup>FATF, *Terrorist Financing*, 29 February 2008, pp. 13.

<sup>41</sup>*Ibid.* pp. 13.

<sup>42</sup>Choo K-K R, Smith R G, Walters J & Bricknell S. 2011. ‘Perceptions of money laundering and financing of terrorism in a sample of the Australian legal profession.’

<sup>43</sup>The preservation of professional legal privilege has been especially problematic in connection with the implementation of AML/CTF obligations. See He P. 2006. Lawyers, notaries, accountants and money laundering. *Journal of Money Laundering Control*, 9(1): 62-70. It is important to note that the area of legal professional privilege and professional secrecy is complex, with subtle differences in application from country to country, see FATF *Money Laundering and Terrorist Financing Vulnerabilities of Legal Professionals*, June 2013.

<sup>44</sup>FATF, *RBA Guidance for Dealers in Precious Metal and Stones*, 17 June 2008, pp. 4.

## Detecting terrorist financing

The inclusion of counter-terrorism financing in the global regulatory regime has expanded the monitoring of financial transactions considerably. Attempts to detect and interdict terrorist financing are usually dealt with through existing mechanisms to combat money laundering. Indeed, in some jurisdictions, the only available tools law enforcement officials have to combat terrorism are anti-money laundering laws.<sup>45</sup>

Experts hold that it can be significantly more challenging to detect and identify terrorist financing than potential money laundering and other suspicious activity.<sup>46</sup> Transactions facilitating terrorist financing often do not exhibit the same characteristics as conventional money laundering. For example, terrorist financing may involve very small amounts of money and the appearance of innocence (such as purportedly charitable activities), and can involve a variety of sources (such as business, criminal activity, self-funded, and state sponsors of terrorism). According to the FATF:

...the characteristics of terrorist financing make its detection difficult and the implementation of mitigation strategies may be challenging due to considerations such as the relatively low value of transactions involved in terrorist financing, or the fact that funds can be derived from legitimate as well as illicit sources.<sup>47</sup>

Further the FATF notes that where funds are derived from criminal activity, then traditional monitoring mechanisms that are used to identify money laundering may also be appropriate for terrorist financing.<sup>48</sup> However, because transactions associated with terrorist financing are often of such small monetary value, these are often significantly below thresholds set by anti-money laundering laws. Where funds are from legal sources, it is even more difficult to determine if they could be used for terrorist purposes. In addition, the actions of terrorists may be overt and outwardly innocent in appearance, such as the purchase of materials and services to further their goals, with the only covert fact being the intended use of such materials and services purchased.

One of the significant challenges to international CTF efforts is the continuing evolution of terrorist financing methods and the inability of governments and international institutions to adequately respond in a timely manner. Reporting institutions often lack the capacity to identify suspicious transactions related to terrorist financing. This can hamper the efforts of authorities to make use of financial information to assist in terrorist financing investigations.<sup>49</sup>

At the core of AML/CTF risk management is a range of preventive activities known broadly as 'Customer Due Diligence' (CDD). CDD comprises the collection and verification of initial Know Your Customer (KYC) information (i.e. details obtained from client identification procedures) and ongoing monitoring of customers and their transactions, such as suspicious transaction reports (STRs).<sup>50</sup> By not undertaking proper identification procedures and conducting due diligence on their clients' or customers' activities, including acceptance of a new client or customer, DNFBPs may unwittingly provide assistance in terrorist financing activities.

---

<sup>45</sup> Abuza, 2003. *Ibid.* pp. 62.

<sup>46</sup> According to investigators from the AFP's Terrorism Financing Intelligence Unit (TFIU), as reported in 'The accountant's guide to terrorism financing', in the Black website, 27 November 2012; FATF *RBA Guidance for Legal Professionals*, 23 October 2008.

<sup>47</sup> FATF, *RBA Guidance for Legal Professionals*, 23 October 2008, pp. 12.

<sup>48</sup> *Ibid.*

<sup>49</sup> According to an AUSTRAC expert speaker at the Jakarta Capacity building workshop, 21-22 May 2013.

<sup>50</sup> AUSTRAC refers to these reports as suspicious matter reports. If a reporting entity forms a suspicion at any time while dealing with a customer (from the enquiry stage to the actual provision of a designated service, or later) on a matter that may be related to an offence, tax evasion, or proceeds of crime, they must submit a suspicious matter report (SMR) to AUSTRAC. See AUSTRAC website, [http://www.austrac.gov.au/suspicious\\_matters.html](http://www.austrac.gov.au/suspicious_matters.html)

Additionally, specific persons and entities may be the subject of terrorist financing sanctions. In such cases a listing of persons and entities to which such sanctions apply and the obligations on DNFBPs to comply with those sanctions are decided by the United Nations Security Council and individual countries. Professionals or business owners may commit a criminal offence if they undertake business with a listed person or entity, or their agent, in contravention of applicable sanctions.

## Scope of the current report

This report is intended to inform policy makers and operational level officers within APEC economies of the potential vulnerabilities non-financial businesses and professions face in relation to terrorist financing. As outlined below, the report includes snapshots of workshop activities that occurred throughout the project period over 2012-13. These snapshots are intended to provide examples of how economies can address on a more practical level the challenges faced in regulating the non-financial business and professional sector. The report includes, where possible, input from workshop participants on various approaches adopted by their respective economies on this issue.

DNFBPs provide a range of services and activities that vastly differ, both in their methods of delivery, and in the depth and duration of the relationships formed with customers, and the size of the operation. DNFBPs may also have different regulatory requirements at the national/state level than at the state or provincial level. As a result, it is beyond the scope of this report to provide high-level guidance for APEC economies, rather each economy and its national authorities should aim to establish an active dialogue and partnership with its DNFBP sectors and related self-regulatory organisations<sup>51</sup> that will be mutually beneficial in protecting these sectors from terrorist financing.

## Methodology

Led by Australia, the project team comprised officials from the Department of Foreign Affairs and Trade (DFAT) and the Australian Transaction Reports and Analysis Centre (AUSTRAC), along with input from the Australian Attorney-General's Department (AGD). In addition the project team consulted with the Australian Federal Police's Terrorism Financing Investigations Unit (TFIU) on draft versions of this report.

Australia collaborated with several international organisations, including the FATF and the Asia/Pacific Group on Money Laundering (APG) in developing and delivering this activity. The economies of Peru, Malaysia, Chinese Taipei, Mexico and the United States also participated and contributed to the discussions and Australia's strategic thinking on this issue.

In preparing this report, the project team has utilised literature and initiatives from the following sources:

- Reports produced by international organisations such as the FATF and the APG;
- Research initiatives undertaken by academics and consultants either within individual jurisdictions or across jurisdictions;
- Research initiatives undertaken by individual jurisdictions; and
- Research initiatives undertaken by AML/CTF supervisors and the private sector.

---

<sup>51</sup>Defined by the FATF as a body that represents a profession (e.g. lawyers, notaries, other independent legal professions or accountants), and which is made up of member professionals, has a role in regulating the persons that are qualified to enter and who practise in the profession, and also performs certain supervisory or monitoring type functions.

## Workshops

### Risk assessment workshop: Singapore

The first of three activities planned under the project involved a risk assessment workshop held in Singapore on 19-20 November 2012. Twenty-five participants from eight APEC economies and relevant experts – from financial intelligence units, police and justice agencies, the FATF and the APG were in attendance. Malaysia, the United States and Chinese Taipei also attended on a self-funded basis.

The workshop aimed to promote a greater awareness of the risks posed by terrorists channelling funds through DNFBPs in three participating APEC economies (Indonesia, the Philippines and Peru), and to enhance the risk assessment capabilities of the participants. As a basis for discussions, Australia drafted a series of scoping papers on the economies represented at the workshop. The purpose of these scoping papers was to provide workshop participants with a baseline understanding of each economy's approach to countering terrorist financing and DNFBP regulation.

Each scoping paper outlined:

- A review of each economy's overall approach to countering ML/TF, the size of the ML/TF problem, legal framework and general approach to regulation in the DNFBP sector;
- A review of current (or lack of) regulations applied to each industry, for example barriers to entering each industry; any customer identification requirements for providing services; auditing requirements; any self-regulatory mechanisms (i.e. self-regulatory organisations) and the disciplinary mechanisms established by legislation. Also considered in the exercise was an estimate of the size and income source of each industry, where possible.
- A consideration of each economy's compliance with related FATF Recommendations (formerly R.12 (DNFBPs – CDD), 16 (DNFBPs – Other measures), 20 (Other non-financial businesses and professions), 24 (Regulation and supervision of DNFBPs) and 25 (Guidance and Feedback).<sup>52</sup>

Overall, the workshop highlighted that there is a general lack of information on the size and scope of DNFBP sectors in APEC economies and the terrorist financing risks they face. Participants' suggested that undertaking terrorist financing case studies and further typology studies on the flow of funds from DNFBPs would be beneficial. The role of DNFBPs in channelling funds, particularly through non-government organisations (NGOs), was also raised as a topic for further research.

Workshop participants completed a number of interactive activities designed to boost their capacity to assess risk. Using an internationally recognised risk model, economies worked with a professional facilitator to complete a series of simple matrixes and risk-rate a range of products and services offered by DNFBPs. Economies were able to generate a final 'score' which corresponded to an overall level of risk for each product or service (See Box 1: Risk Assessment workshop, Singapore).

---

<sup>52</sup> While normally such a review would include a consideration of economy's compliance with related FATF Recommendations (formerly R.12, 16, 20, 24 and 25), it was agreed by project members that given the very recent revision of the Standards the information presented would likely be out-dated and therefore may not reflect current regulatory practices. It is also important to note that under the former 40+9 framework, Recommendations relating to DNFBPs (R.12, 16, 24) were considered non-core/key FATF Recommendations.

## **Capacity building workshop: Jakarta**

Building on the risk assessment discussions held in November 2012, a follow-up capacity building workshop was held in Jakarta on 21-22 May 2013. Thirty participants attended the workshop (including two observers from Russia) which addressed some of the key issues and challenges faced by Indonesia in their efforts to protect non-financial businesses and professions from terrorist financing. The workshop – opened by APEC Counter Terrorism Working Group (CTWG) chair, Ambassador Harry Purwanto – highlighted recent advances in ways to combat terrorist financing through DNFBPs, new methods used by terrorist groups and some of the challenges faced in developing effective counter-terrorism legislation and enforcement programs.

Workshop participants completed a number of practical exercises designed to acquire insight into real-world situations as they relate to terrorist financing activities. Using a fictitious scenario, economies worked with a professional facilitator to explore the various ways in which funds could be channelled through the DNFBP sector without triggering Indonesia's AML/CTF reporting requirements. Some of the suggested techniques used by participants included moving funds via cash couriers, structuring amounts to avoid transaction threshold reporting, and using false identification details to acquire/lease properties.

At the conclusion of the workshop, participants worked with a facilitator to build their capacity to develop action plans aimed at improving decision-making and interagency coordination, the two areas that continue to be a challenge in implementing policy measures (see Box 2: Capacity building workshop, Jakarta & Manila).

## **Capacity building workshop: Manila**

The third and final activity under the project aimed to address some of the key challenges faced by the Philippines in their efforts to protect DNFBPs from money laundering, terrorist financing and corruption. Thirty participants attended the four-day capacity-building workshop in Manila on 11-14 November 2013. In the workshop, participants gained a better understanding of assessing the risks posed to the DNFBP sector in the Philippines and ways to mitigate these risks through the development of guidelines.

Introductory sessions exploring the methods used by money launderers, terrorist financiers and corrupt officials in the various DNFBP sectors further increased participants' awareness of the issues facing the non-financial industry cohorts.

Using a similar risk model employed at the Singapore and Jakarta workshops, participants completed a number of interactive activities designed to boost their capacity to assess risk. Participants worked with facilitators to complete a series of simple matrixes and risk-rate a range of products and services offered by DNFBPs. Participants were able to generate a final 'score' which corresponded to an overall level of risk for each product or service. Participants were also asked to rate their perceptions of risk in the various DNFBP sectors from a ML/TF and corruption perspective.

Participants also undertook practical exercises designed to enhance their understanding of the compliance process, in particular, how to adapt an AML/CFT program to suit less sophisticated non-financial businesses and professions (i.e. sole proprietors, family-run jewellery stores).

Overall, participants gained increased knowledge and understanding of the revised FATF Recommendations in relation to DNFBPs, and improved their relationships with representatives from within each DNFBP sector in the Philippines (see Box 2: Capacity building workshop, Jakarta & Manila).

## Limitations

As discussed in the Foreword, there is a general lack of terrorist financing case studies involving non-financial businesses and professions in general. While the empirical evidence is strong in relation to cases of money laundering involving non-financial businesses and professionals, there are very few examples indicating how funds are channelled through DNFBPs to finance terrorist operations. The limited examples known to law enforcement and other agencies are not sourced from APEC economies.

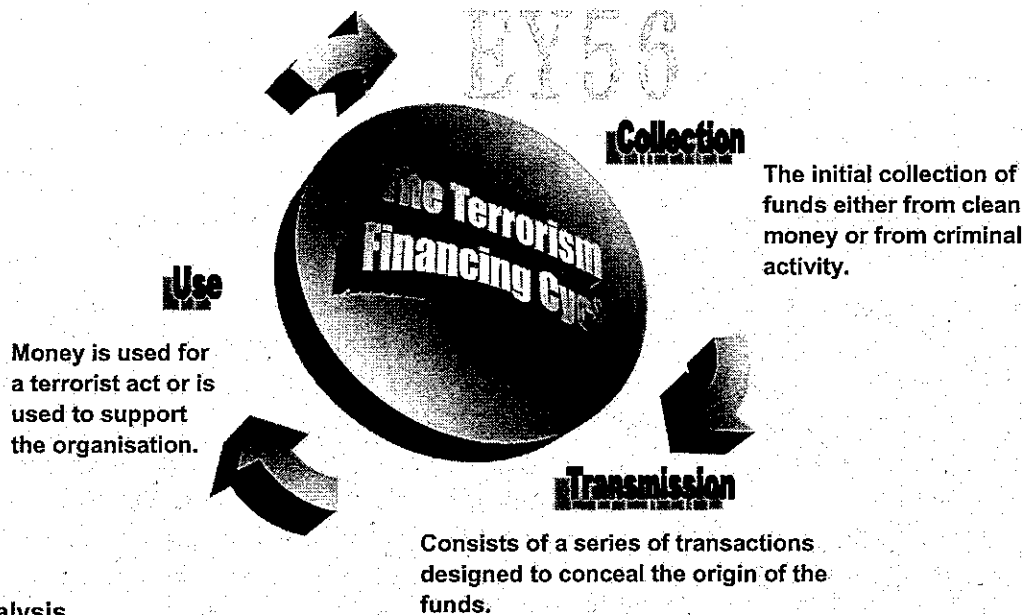
Other limitations to the report and broader project to date have included:

- Availability of current information on economies' CTF regulatory regimes. Most mutual evaluation reports completed in the FATF 3<sup>rd</sup> round are now largely out-dated.
- Conducting a desk-based review to fully assess the risk posed to certain industries is difficult without the direct input of industry.
- There is a wide range of regulatory approaches adopted by economies and there is no 'one size fits all' approach. Importantly, such regulatory approaches should be viewed within the context of economies' broader ML/TF situation.
- The fact that money laundering and terrorist financing have similar objectives in concealing financial resources and activities from the scrutiny of authorities and, in some circumstances, the use of similar techniques has resulted in the two activities being examined with the same lens. This has meant information reported by economies on their AML/CTF regimes has often focused more on AML measures than CTF measures.
- This report has considered the seven main FATF-designated non-financial business and professions. It is important to acknowledge this does not limit the inclusion of a range of 'other' types of DNFBP (motor vehicle dealers, arts and auction houses, pawnbrokers, for example) in economies' AML/CTF regulatory regimes. National authorities would need to assess and respond to the level of risk in the non-FATF-designated categories of DNFBP in their respective economies.

## Box 1. Risk Assessment workshop: Singapore

### Risk Assessment methodology

Workshop participants completed a number of interactive activities designed to boost their capacity to assess risk. Using an internationally recognised risk model, economies worked with a professional facilitator to complete a series of simple matrixes and risk-rate a range of products and services offered by DNFbps. A final 'score' was generated which corresponded to an overall level of risk for each product or service. The financing of terrorism cycle was based on the following model (collection, transmission and use of funds).



### Analysis

The lower risk results showing for some economies may be the result of stronger regulatory controls in place for some DNFbps. Low risks in others may be a result of the low impact the individual businesses for the sector would have on the economy if compromised. Three out of four participating economies rated motor vehicle dealers as a high risk for TF, suggesting a high level of vulnerability for this industry across the economies.

It is important to note that while casinos were rated as having a high to extreme risk; this pertains to their money laundering risk only. From a terrorism financing perspective it was considered by participants as a sector that would be an unlikely typology.

**Table 1: ML/TF risk ratings according to participants for listed industry sectors across APEC economies**

Industry Sector				
Accountants	L			M
Lawyers	L			M
Precious Metals- Wholesale	H	M	M	
Precious Metals- Retail	M	M	M	M
Precious Gems- Wholesale	N/A	M	M	
Precious Gems - Retail	L	L	M	M
Company Service Providers	L	M		M
Casinos	M	N/A		M
Motor Vehicle Dealers*	M			

Key: L = Low risk M = Medium risk H = High risk E = Extreme risk

\*The exercise considered some of the FATF designated categories of DNFBP along with motor vehicle dealers.



## Box 2. Capacity building workshops: Jakarta & Manila

### Summary

Specifically designed separate workshops for Indonesia and the Philippines involved presentations, scenario playing and practical exercises to provide insights into real-world situations as they relate to terrorist financing activities. These activities were aimed at developing skills and techniques to support policy development, implementation and reporting, particularly in relation to terrorist financing and suspicious transactions.

### Activities

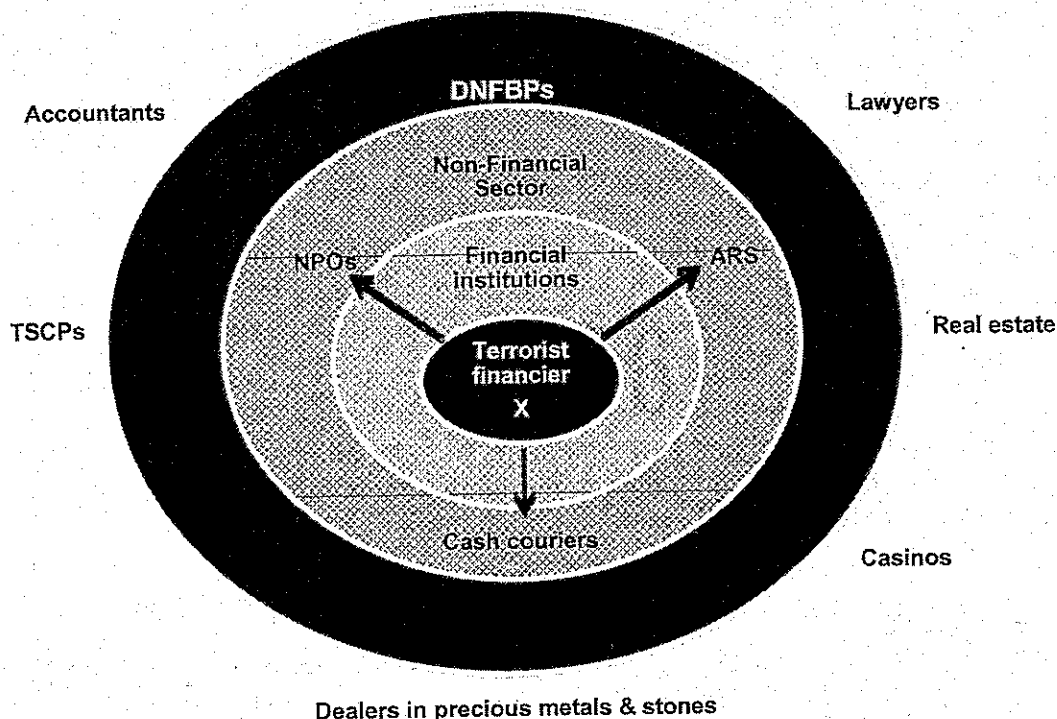
In both workshops, participants completed a number of practical exercises designed to acquire insight into real-world situations as they relate to terrorist financing activities. In Jakarta, participants worked through a fictitious scenario with a facilitator to explore the various ways in which funds could be channelled through the DNFBP sector without triggering Indonesia's AML/CTF reporting requirements. Some of the suggested techniques used by participants included moving funds via cash couriers, structuring amounts to avoid transaction threshold reporting, and using false identification details to acquire/lease properties.

At the conclusion of the Jakarta workshop, participants worked with a facilitator to build their capacity to develop action plans aimed at improving decision-making and interagency coordination, the two areas that continue to be a challenge in implementing policy measures. Tailored specifically for the Manila workshop, participants worked with the facilitators to build their capacity to develop guidance material, an area that continues to be a challenge for both regulators and industry alike in implementing the new legislation.

### Terrorism financing through DNFBPs

Experts from Australia (AUSTRAC) described that as banks and other financial institutions work toward full compliance with AML/CTF regulations, terrorism financiers may seek alternative channels to fund operations. Typically funds have been acquired through the misuse of alternative remittance systems and not-for-profit organisations; however, as regulatory oversight increases for these sectors and governments clamp down on such funding mechanisms, terrorist financiers may target the DNFBP sectors if other channels become more difficult.

Diagram 1. Channels for financing terrorism: Vulnerability of DNFBPs



## Definition of Designated non-financial businesses and professions

In 2003, the FATF Recommendations were revised to include designated non-financial businesses and professions (DNFBPs) within the global AML/CTF regulatory regime. The DNFBPs identified by the FATF as posing heightened risk of money laundering/terrorism financing are:

- legal practitioners, notaries, other legal professionals and accountants providing services to external clients
- casinos
- real estate agents
- dealers in precious metals
- dealers in precious stones, and
- trust and company service providers.

Four Recommendations (12, 16, 24 and 25) were created which called for a range of preventive measures that DNFBPs, supervisory authorities/self-regulatory organisations, and other authorities should adopt to combat ML/TF in certain situations. Recommendation 12 mandated that the requirements for customer due diligence, record-keeping, and paying attention to all complex, unusual large transactions set out in Recommendation 5, 6, and 8 to 11 apply to DNFBPs in certain circumstances. Recommendation 16 extended the obligations of recommendations 11 (unusual transactions), 13 (reporting suspicious transactions), 14 (protection from legal liability, tipping off) and 15 (internal controls) to DNFBPs. Recommendation 24 required member states to establish a system of effective supervision or monitoring.

In February 2012, significant revisions to the FATF Recommendations were agreed by members, transforming the 40+9 Recommendations into the FATF Standards. Two key changes to the Recommendations were the incorporation of the former counter-terrorism financing recommendations into the main body of the standards and adding recommendations related to countering the financing of proliferation of weapons of mass destruction. The new *Methodology for assessing technical compliance with the FATF Recommendations and the Effectiveness of AML/CFT systems* sets out how the FATF will determine whether a country is sufficiently compliant with the 2012 FATF Standards<sup>53</sup> and whether its AML/CTF system is working effectively. As a result, the recommendations relating to DNFBPs are now mainly covered under Recommendations 22 and 23 and throughout the other Recommendations where relevant.

This section of the report introduces the seven FATF DNFBPs – namely, casinos, real estate agents, dealers in precious metals, dealers in precious stones, legal practitioners, notaries and other lawyers, accountants, and trust and company service providers – and examines how each category has been, or potentially could be implicated in facilitating terrorist financing.

---

<sup>53</sup>The FATF Standards comprise the FATF Recommendations, their Interpretive Notes and applicable definitions from the Glossary.

## Legal professionals

Legal professionals were first included in the FATF Recommendations in 2003. The Recommendations issued at that time explicitly required legal professionals to undertake customer due diligence (CDD) and to submit suspicious transaction reports (STRs). Since 2003, competent authorities have been required to ensure that legal professionals are supervised for AML/CTF purposes.

The FATF Standards limit the legal and accounting professionals recommended for inclusion as regulated DNFBPs to those employed by firms providing professional services. Public accounting practitioners are limited to providing services to individuals and legal persons and tax agents are limited to providing limited services for tax matters to the public. This area of the industry derives the majority of its income from business and personal taxation, and accounting services. Those providing professional services internally, as employees of another business or organisation, are excluded.

The FATF Standards include legal and accounting professionals within the scope of regulated DNFBPs when preparing for and executing the following transactions:

- buying and selling real estate;
- managing client money, securities and other assets;
- managing bank, savings or securities accounts;
- organising contributions to create, operate or manage companies;
- creating, operating, or managing legal persons or arrangements, and buying and selling business entities.

Legal and accounting professionals have been described as providing a 'gatekeeper' service in the facilitation of money laundering and/or terrorism financing. Gatekeepers are, essentially, individuals that 'protect the gates to the financial system.'<sup>54</sup> Legal professionals can potentially facilitate ML/TF in the provision of advice and legal assistance around investments, company formation, trusts and other legal arrangements. For a terrorist financier, there are many advantages in using a gatekeeper service to assist in disguising or moving terrorist funds. One, legal professionals have the knowledge and expertise to advise clients on how to organise certain accounts, such as trust and off-shore accounts, where and how to structure funds, the establishment of shell or legitimate companies, and/or the purchase of financial instruments or other assets such as real estate. Two, they can allow the use of their own trust accounts to facilitate the collection, transmission or use of funds. These actions, if used for illicit purposes, could be used to shape complex terrorist financing arrangements which act to conceal or legitimise the source of illegally derived funds.

Another perceived advantage to using a gatekeeper is the perception among criminals that legal professional privilege/professional secrecy will delay, obstruct or prevent investigation or prosecution by authorities if they utilise the services of a legal professional.<sup>55</sup>

Despite the lack of empirical evidence concerning the involvement of DNFBPs as advisers and facilitators of terrorist financing, the potential vulnerability of legal professionals is clear. According to a 2013 report by the FATF on the ML/TF vulnerabilities of legal professionals, while there were few terrorist financing case studies that specifically mention the involvement of legal professionals, some

<sup>54</sup>See FATF, *Global Money Laundering and Terrorist Financing Threat Assessment*, July 2010.

<sup>55</sup>FATF, *Money Laundering and Terrorist Financing Vulnerabilities of Legal Professionals*, June 2013.

mention the use of companies, charities and the sale of property.<sup>56</sup>The report notes similar methods and techniques could be used to facilitate either money laundering or terrorist financing, although the sums in relation to the latter may be smaller, and therefore the vulnerability of legal professionals to involvement in terrorist financing 'cannot be dismissed'.<sup>57</sup>

The range of activities carried out by legal and accounting professions is diverse and varies from one country to another. It is acknowledged by FATF members that full implementation of these specific Recommendations has not been universal.<sup>58</sup> As a consequence, a major part of the legal profession is not covered by global AML/CTF regulatory standards. It is therefore important that competent authorities understand the specific roles undertaken by different legal professionals within their respective economy/jurisdiction when assessing the vulnerabilities and risks that concern their professional sectors.

## Casinos

Casinos are more commonly linked to money laundering activities than terrorist financing. The most typical money laundering scenario is an individual walking into a casino with cash to exchange for chips, proceed to play, and then cash in the chips for a cheque. The money launderer will then deposit the cheque into their own bank account, and claim it as 'clean' winnings.

It is important to note that consistent with research conducted by the FATF on this topic,<sup>59</sup> research undertaken throughout this project only found a handful of reported cases of suspected terrorist financing in the casino sector. Moreover, these cases were based on uncorroborated press reporting.<sup>60</sup> This finding is supported by anecdotal evidence from workshop participants involved in this project who noted that were '*not aware of information which involved the funding of terrorism via the casino sector, nor would it be a likely scenario*'. The aforementioned FATF paper suggests this may be due to the characteristics of terrorist financing that make it difficult to detect: characteristics such as the relatively low value of transactions involved in terrorist financing, or the fact that funds can be derived from legitimate as well as illicit sources.<sup>61</sup>

However, as the above FATF paper points out, 'it would be a mistake to assume terrorist financing has not and could not occur in the casino sector'.<sup>62</sup> The alleged Al-Qaeda cell members mentioned in press reporting in 2002 spent a reported USD \$100,000 at Casino Niagara in what Ontario officials suspect were money laundering attempts. US counter-terrorism officials allege that some of the men had secret sources of funds.

## Real estate agents

Real estate agents are real estate professionals or companies who by representing the seller and/or the buyer act in a purchase and/or sale of property in a real estate transaction capacity and/or are exercising professional transactional activity, thus facilitating real property transfer.<sup>63</sup>

---

<sup>56</sup>*Ibid.*, pp. 23.

<sup>57</sup>FATF, *Money Laundering and Terrorist Financing Vulnerabilities of Legal Professionals*, June 2013, pp. 23.

<sup>58</sup>*Ibid.*

<sup>59</sup>Financial Action Task Force, *Vulnerabilities of Casinos and Gaming Sector*, March 2009. This report identifies significant ML vulnerabilities and related case studies and typologies, but does not identify any instances of TF through the sector.

<sup>60</sup>Walters, J. 'Buffalo duo likely tried to launder cash.' *The Toronto Star*, 20 September 2002.

<sup>61</sup>*Vulnerabilities of Casinos and Gaming Sector*—March 2009, pp. 57.

<sup>62</sup>*Ibid.* pp. 57.

<sup>63</sup>Financial Action Task Force, *Risk-Based Approach Guidance for Real Estate Agents*, June 2008, <http://www.fatf-gafi.org/media/fatf/documents/reports/RBA%20Guidance%20for%20Real%20Estate%20Agents.pdf>

While the role of agents varies in different jurisdictions, the core functions may include:

- Traditional exclusive (and non-exclusive) seller representation
- Traditional exclusive (and non-exclusive) buyer representation
- Representation of both buyer and seller in the same transaction
- A number of agents representing sellers or buyers
- National and transnational referrals
- Amalgamation or interaction of functions of other professionals, e.g. notaries, lawyers, lenders, valuers
- Auctions.

There are several ways the real estate sector could be exploited for terrorist financing purposes. Terrorist organisations require bases for their operations and typically need to acquire safe houses for this purpose. The real estate sector may be implicated in the financing of terrorism through the purchase or leasing of such a property by a terrorist financier or via a gatekeeper (lawyer, accountant) or other professional. The real estate agent or broker may be unwittingly involved in this transaction, or complicit in acquiring the property on behalf of the terrorist organisation.

Workshop participants in Jakarta noted that false identification could be used to acquire property or sign a lease, hence avoiding detection by authorities. Moreover, workshop participants reported that in Indonesia, terrorists are more likely to 'homestay' in an informal room rental arrangement than acquire a formal rental property. These factors make detection of terrorist financing in the real estate sector increasingly difficult.

## Dealers in precious metals and stones

The precious metals and stones industry has four key components: mining companies; refineries (turning rough diamonds into polished diamonds); manufacturers and retailers. All four components of the industry can be involved in buying or selling precious metals and stones. Retailers can include new and second-hand dealers of jewellery, precious stones, and precious metals. According to the FATF, the term 'dealer' can refer to any person engaged in these businesses.<sup>64</sup>

The worldwide trade of precious metals and stones varies immensely, from modern international transactions conducted through the financial system, to localised informal markets.<sup>65</sup> Workshop participants noted jewellery businesses are often a 'family affair' and reliant on personal and community contacts. Moreover, jewellery shops are often side businesses for *hawaladars* (service providers of the *hawala* system) which makes it difficult for authorities to monitor and investigate illicit activity conducted within the industry.

Commodities such as diamonds and gold have unique physical and commercial properties which can be high value/ low volume and in easily transportable quantities. Trading in such commodities to launder money or transfer value is attractive to terrorists because of the ease of concealment from authorities. Terrorists can move their assets by converting cash into diamonds or gold bullion, which then serves as a form of currency. By storing assets in such commodities, they are likely to maintain their value over a longer period of time and are easy to buy and sell outside the formal banking system. The liquidity of a diamond or bar of gold has the further advantage of being traded

<sup>64</sup>FATF, *RBA Guidance for Dealers in Precious Metal and Stones*, 17 June 2008, pp. 2.

<sup>65</sup>*Ibid.* pp. 3.

quickly and without detection. As Abuza notes, 'the liquid nature of gems, the anonymity of transfers, the ability to over-invoice, and the high-value per gem are all attractive to non-state actors.'<sup>66</sup>

### Precious gems: Diamonds

Armed struggles create opportunity for money launderers or terrorist financiers to hide their illicit gains. The links between the diamond trade and armed conflict are well documented and extensively covered elsewhere,<sup>67</sup> however there are several key reasons why precious gems such as diamonds are particularly attractive to those seeking to launder or facilitate terrorist financing. By their nature diamonds are not considered monetary instruments and therefore can be used in lieu of currency in arms deals, money laundering, and other crimes. Diamonds are unique in that they have a high value/low volume ratio, are untraceable, odourless and can easily be carried on a person's body without detection. These factors make diamonds an ideal substance to smuggle criminal or other illicit proceeds across borders.

### Precious metals: Gold

Gold is attractive to criminal and terrorist groups due to its physical characteristics: it can be smelted into any form, camouflaged, and smuggled across borders. Because its form can be altered, gold used in trade usually has no valid paper trail, making it an anonymous trading material.

In the 1997-1998 Report on Money Laundering Typologies, FATF experts considered for the first time the possibilities of laundering funds in the gold market. They identified at the time, the scale of laundering in this sector constituted a 'real threat.' Gold was identified as a popular option for launderers because of the following characteristics:

- a universally accepted medium of exchange
- a hedge in times of uncertainty
- prices set daily, hence a reasonably foreseeable value
- a material traded on world markets
- anonymity
- easily changeable of its forms
- possibility for dealers of layering transactions in order to blur the audit trail, and
- possibilities of double invoicing, false shipments and other fraudulent practices.<sup>68</sup>

Subsequent international typologies reports continue to indicate that gold bullion is used in the layering and integration stages of money laundering.<sup>69</sup>

There are a number of case studies which suggest terrorist organisations have converted cash into high-value and hard-to-trace commodities such as gold or precious stones in order to move assets outside the financial system. Analysis of the modus operandi of al-Qaeda (and its Southeast Asian affiliate, Jemaah Islamiyah) indicates gold smuggling was used to help finance operations.<sup>70</sup> It was widely reported that during the invasion of Afghanistan in 2001, Taliban and other members of al-Qaeda smuggled their money out of the country via Pakistan using couriers that handled bars of

---

<sup>66</sup>Abuza, 2003. *Ibid.* pp. 42.

<sup>67</sup>For a more detailed study of al-Qaeda's role in the illicit trade of diamonds and other precious metals and stones, see Global Witness. *For a Few Dollars More: How al Qaeda moved into the Diamond Trade*, April 2003; Farah, D. 'Al Qaeda's Road Paved with Gold.' *The Washington Post*, 17 February 2002.

<sup>68</sup>FATF, 1997-1998 *Report on Money Laundering Typologies*, 12 February 1998.

<sup>69</sup>See for example, the Egmont Group, *FIUs in Action: 100 Cases from the Egmont Group*, Egmont Group of Financial Intelligence Units. pp. 11; AUSTRAC *Typologies and Case Studies Report 2008: Case Study 29*; AUSTRAC *Typologies and Case Studies Report 2010: Cases 17 & 32*.

<sup>70</sup>Abuza, 2003. *Ibid.* pp. 20.

gold.<sup>71</sup>From Pakistan, couriers and *hawala* dealers were reported to then transfer the money to the Gulf region, where it was once again converted to gold bullion. One report estimates during one three-week period in late November to early December 2001, al-Qaeda transferred USD 10 million in cash and gold out of Afghanistan.<sup>72</sup>

Moreover, gold is often used by *hawala* brokers to balance their books. *Hawaladars* routinely have gold, rather than currency, placed in markets around the globe. There is always a market for gold given its cultural significance in many parts of the world, particularly in Southeast Asia, South and Central Asia, the Arabian Peninsula, and North Africa.<sup>73</sup>

## Trust and company service providers

The FATF definition of trust and company service providers includes: businesses acting as company formation agents; arranging or providing services as a company director or company secretary; providing office space or registered addresses; arranging or providing trustee services; or arranging or providing a service as a nominee shareholder.

Corporate vehicles and trusts have long been identified by the FATF as posing a risk for money laundering/terrorist financing. Features of corporate vehicles that enhance the risk of ML/TF include:

- the ease with which corporate vehicles can be created and dissolved in some jurisdictions;
- that a vehicle can be created as part of a series of multi-jurisdictional structures, in which a corporation in one jurisdiction is owned by one or more other corporations or trusts in other jurisdictions;
- the use of specialised intermediaries and professionals to conceal true ownership;
- the ease in which nominees may be used to disguise ownership, and corporations; and
- other vehicles whose only purpose is to disguise the beneficial owner of the underlying asset.

Those seeking to facilitate terrorist financing have often used conventional business structures and commercial activities. Central to legitimate business activity is the need to create corporate entities with which to carry out business transactions to expand opportunities and to maximise profits. As outlined above, the cost of company formation in some countries can be only a few hundred dollars, and a number of company formation agents exist worldwide that can facilitate company creation and management at low cost and with very little (or no) customer identification measures.<sup>74</sup>

The creation of shell companies further offer terrorist financiers the anonymity and tax-free status they require to launder or move illicit funds. The primary focus of several al-Qaeda cells, particularly in Southeast Asia, was to establish shell companies for this purpose.<sup>75</sup> The two most important, according to Abuza, were shell companies – ‘... corporate entities established with a minimum amount of capital, without substance or commercial purpose, that generated few (if any) profits, and whose primary purpose was to purchase materials or cloak other aspects of terrorist operations.’<sup>76</sup>

<sup>71</sup>FATF, *Terrorist Financing*, pp. 24.

<sup>72</sup>Global Witness. *For a Few Dollars More: How al Qaeda moved into the Diamond Trade*, April 2003.

<sup>73</sup>FATF, *Terrorist Financing*, pp. 24.

<sup>74</sup>For an in-depth study on misuse of corporate structures, see Sharman, J.C. 2011. *The Money Laundry: Regulating Criminal Finance in the Global Economy*. Ithaca: Cornell University Press.; Sharman, J.C, et al. *The Puppet Masters: How the Corrupt Use Legal Structures to Hide their Stolen Assets and What to do About it*. Washington D.C.: World Bank.

<sup>75</sup>Abuza, Z. 2003. *Ibid.* pp 34.

<sup>76</sup>Abuza, Z. 2003. *Ibid.*

# The characteristics and regulation of DNFBPs in APEC economies

The following chapter outlines the experience of APEC economies in seeking to extend their AML/CTF regime to include non-financial businesses and professions.

## Australia

The full range of designated non-financial businesses and professions (DNFBPs) exist in Australia. Casinos (mainly supervised at the state/territory level), bullion dealers, and lawyers are subject to some AML/CTF requirements. Notaries, real estate agents, accountants, and trust and company service providers (called professional company incorporation providers) also operate in Australia.

*The Anti-Money Laundering Act 2006* (AML/CTF Act) regulates services not businesses or professions. AML/CTF Act obligations arise from the provision of services rather than by virtue of being a particular business or profession. As such, mandatory customer due diligence (CDD) requirements apply to any person or entity that provides one or more 'designated services' specified in section 6 of the AML/CTF Act. Some mandatory CDD and record-keeping requirements continue to be in effect for cash dealers as specified in section 23 of the *Financial Transactions Act 1988* (FTR Act). Essentially within the DNFBP category this means casinos and bullion dealers have CDD obligations, and to a limited extent solicitors and motor vehicle dealers, which may have obligations under the FTR Act.

The Australian government is currently considering extending the application of the AML/CTF Act to specified services provided within the business and professional sectors.

## Brunei

The DNFBP sector in Brunei includes real estate agents, dealers in precious metals and stones, lawyers, accountants and trust/companies service providers.<sup>77</sup> Casinos are not permitted to operate in the jurisdiction. There are less than 10 real estate companies operating in the country. The market for precious metals and stones is not developed in Brunei.

Shortly following its second mutual evaluation in 2010, Brunei reported that the Money Laundering (Amendment) Order 2010 had been approved on 22 July 2010. The main amendment, amongst others, was to include DNFBPs (in particular lawyers and accountants) as reporting entities. To date, some preventative measures have been put in place for some categories of DNFBP, but not all.

## Canada

The DNFBP sector in Canada comprises casinos, real estate agents, accountants, lawyers, British Columbia notaries, public and notary corporations, and dealers in precious metals and stones. TSCPs are not separately recognised nor regulated in Canada.

---

<sup>77</sup> All figures provided for the DNFBP sector are taken from Brunei's second Mutual Evaluation Report, APG – 2<sup>nd</sup> Mutual Evaluation Report – Brunei Darussalam pp. 20.



Gaming is permitted under Canada's Criminal Code and regulated through provincial gaming legislation.<sup>78</sup> Casinos have reporting obligations with respect to STRs, terrorist property reports<sup>79</sup>, large cash transactions, electronic funds transfers, and casino disbursements. Effective September 28, 2009, entities must also report casino disbursements involving amounts of CA \$10,000 or more, whether payments were made in cash or not.<sup>80</sup> According to a typologies and trends report released by FINTRAC, in 2008-09 all of the 112 cases involving the casino sector were associated to suspected money laundering activity, with five of these cases also suspected to be related to terrorist activity financing and/or threats to the security of Canada.<sup>81</sup>

Casinos, real estate agents and accountants have been subject to STR, CDD and record-keeping requirements since 2001.<sup>82</sup> Regulations enacted in June 2007 and came into force in June 2008 expanded requirements for these sectors. As of December 2008, whole or part of the PCMLTFA applies to legal counsel and legal practitioners, British Columbia notaries, public and notary corporations, and dealers in metals and precious stones. TCSPs are not separately recognised nor regulated as a discrete category of entity in Canada and do not fall under the AML/CFT regime.<sup>83</sup>

## Chile

Chile has a large and well developed banking and financial sector with an established AML/CTF financing regime. However, limited information is available on Chile's non-financial business and professional sector.<sup>84</sup> Casinos, gambling houses and horse racing, customs general agents, auction houses, realtors/ land developers, notaries and registrars, and sports clubs are subject to suspicious transaction reporting. Dealers in precious metals and stones, lawyers, accountants and TCSPs are not currently subject to STR requirements. The Chilean financial intelligence unit, La Unidad de Análisis Financiero (UAF) has issued various circulars in relation to CDD and other preventative measures to its reporting population.

## People's Republic of China

The DNFBP sector in China comprises real estate agents, dealers in precious metals and stones, lawyers, accountants, notaries and TCSPs. Although China has recently strengthened the requirements applicable to trust service providers (i.e. trust investment companies), it is yet to apply specific AML/CTF measures to any other category of DNFBP.<sup>85</sup> Operating a casino (including internet casinos) is specifically prohibited under China's Penal Code, as is gambling or opening a gambling house. In recent years China has significantly strengthened the AML/CTF requirements applicable to trust investment companies and taken some action to strengthen CDD and record-keeping requirements in the real estate sector. However, according to the FATF, China has not yet extended

---

<sup>78</sup> *Ibid.* pp. 214.

<sup>79</sup> Since 2002, Canadian reporting entities are required to send a terrorist property report to FINTRAC if they have property in their possession or control that they know is owned or controlled by or on behalf of a terrorist or terrorist group. This includes information about any transaction or proposed transaction relating to that property (MER, pp. 225).

<sup>80</sup> FINTRAC Guideline for Casinos: <http://www.fintrac.gc.ca/re-ed/files/casinos-eng.pdf>

<sup>81</sup> FINTRAC, *Money laundering Typologies and Trends in Canadian casinos*, November 2009.

<sup>82</sup> FATF *Third Mutual Evaluation Report - Canada*, pp. 309.

<sup>83</sup> *Ibid.*, pp. 29.

<sup>84</sup> Chile's most recent Mutual Evaluation, undertaken by GAFISUD, was published in December 2010 in Spanish only. It is available at: [http://www.gafisud.info/documentos/eng/evaluaciones\\_mutuas/Chile\\_3ra\\_Ronda\\_2010.pdf](http://www.gafisud.info/documentos/eng/evaluaciones_mutuas/Chile_3ra_Ronda_2010.pdf)

<sup>85</sup> In its 2007 MER, the Chinese authorities advised that the PBC has drafted a Gold Transaction Regulation that is to be approved by the State Council which would extend internal control, customer identification, record keeping and STR reporting to gold exchanges, gold transactions agents and other gold service providers. FATF— First Mutual Evaluation of China, pp. 120.

comprehensive requirements to dealers in precious metals and stones, lawyers, notaries, and company service providers.<sup>86</sup>

## Hong Kong, China

Hong Kong, China has taken progressive steps to extend CDD and record-keeping obligations to all categories of DNFBP. Relevant regulatory/ professional bodies have issued practice circulars/guidelines for compliance by the respective practitioners in the relevant DNFBP sectors. These practice circulars/guidelines draw practitioners' attention to the relevant FATF requirements, the importance of CDD and record-keeping measures and address sector-specific issues with a view to assisting practitioners' compliance.<sup>87</sup>

Hong Kong does not have land-based casinos and in general, betting activities are closely monitored. Real estate agents have some AML/CTF obligations established by the Estate Agents Ordinance (cap 511) and additional legislation and conduct rules issued by the industry regulator.

All legal or natural persons (which include lawyers) in Hong Kong are bound by AML/CTF legislation. They are prohibited from dealing with proceeds of drug trafficking and other indictable offences, and are obliged to report suspicious transactions. AML/CTF obligations for legal practitioners are issued by the Law Society of Hong Kong (LSHK). The Law Society issued Guidelines on AML/CTF referred to as Practice Direction P, which took effect from 1 July 2008.<sup>88</sup>The CDD and record-keeping requirements under Practice Direction P are mandatory. Practitioners who fail to comply with the requirements are liable to disciplinary actions by LSHK ranging from a fine to suspension of a legal licence.

## Indonesia

Most categories of DNFBPs (as defined by the FATF) are in operation in Indonesia, with the exception of casinos and gambling services (which are outlawed) and trust and company service providers. Indonesia's new AML Law (Law No. 8, Year 2010) introduced measures for a range of non-financial businesses as 'reporting parties' – property/property agent companies, motor vehicle dealers, gemstone and jewellery/precious metal dealers, and arts/ antique dealers and auction houses. The professions – lawyers, accountants and notaries, are currently excluded. Other categories excluded from the regime include casinos and TSCPs (which are not relevant in the Indonesian context).

Given their inclusion as reporting parties, these reporting parties are now subject to the various preventative measures (CDD, STRs, and record keeping requirements) as set out under the 2010 AML Law. DNFBPs must also file a report for any transaction (using rupiah and/or foreign currency) with the amount of at least or equal to Rp500,000,000.00 (five hundred million rupiah, or equivalent to USD \$52,000) to Indonesia's FIU, PPATK.<sup>89</sup>

## Japan

Article 2 of Japan's AML/CTF law, the *Act on the Prevention of Transfer of Criminal Proceeds* (Law No. 22 of 2007) (the Act) encompasses the following DNFBPs as covered institutions: real estate agents and professionals, dealers in precious metals and stones (including antique dealers), postal

<sup>86</sup> FATF – *Mutual Evaluation of China: 8<sup>th</sup> Follow-up Report*, pp. 43-44.

<sup>87</sup> FATF, 4<sup>th</sup> Follow up report – Mutual Evaluation of Hong Kong, China, 19 October 2012, pps.29, 30-31. Accessed at: <http://www.fatf-gafi.org/media/fatf/documents/reports/Follow%20up%20report%20MER%20Hong%20Kong%20China.pdf>

<sup>88</sup> *Ibid.* pp. 29.

<sup>89</sup> Currency exchange rate as at 13 November 2012.

service providers, and a range of legal professionals and accountants (including lawyers, judicial scriveners, certified administrative procedures specialists, certified public accountants and certified public tax accountants).<sup>90</sup>Casinos and internet casinos are prohibited by Articles 185 and 186 of the Japanese Penal Code.<sup>91</sup>

Despite the uniform application of Japan's AML/CTF law to financial and non-financial institutions, the regime applied to DNFBPs varies across the sectors. Independent legal professionals (excluding attorneys) and accountants are subject to customer identification requirements as specified by their relevant industry association.<sup>92</sup>While dealers and precious metals and stones have also been subject to CDD requirements since 1 March 2008; however, there are currently no licensing or registration requirements in place. Similarly, apart from the requirement to be licensed, there are no specific CDD or reporting requirements on real estate agents.

## Republic of Korea

Designated non-financial businesses and professions in Korea currently have no AML/CTF obligations except for casinos. While no AML/CTF obligations apply to trust and company service providers, trust companies are considered to be financial institutions and are therefore subject to licensing requirements and supervision by the Financial Supervisory Service (FSS).

Korea has 16 casinos open to foreigners and one casino that is open to both foreigners and Korean nationals. Since 22 December 2008, casinos have been required to perform CDD on both currency exchange and exchange of chips for cash or cheques. Casinos do not open or maintain accounts for customers. The Korea Casino Association has also established an AML business manual for casinos based on the AML Enforcement Guidelines so that individual casinos can establish their own internal guidelines.

The remaining sectors (legal professionals, including accountants, real estate agents and dealers in precious metals and stones) are generally subject to licensing requirements, however there are no explicit AML/CTF requirements applied to these businesses and professions.

## Malaysia

All categories of DNFBP operate in Malaysia and are regulated under the *Anti-Money Laundering and Anti-Terrorism Financing Act 2001* (AMLATFA). Malaysia's financial intelligence unit, Bank Negara Malaysia (BNM) is responsible for monitoring and ensuring compliance with AML/CTF requirements under the AMLATFA, and has adequate powers and sanctions for those purposes.

Malaysia has taken a staged approach to implementing the AML/CTF regime across the various sectors, initially commencing with suspicious transaction reporting (STR) obligations and then followed by CDD, internal controls and record-keeping obligations. The staged approach to AMLATFA implementation is guided by the vulnerability of particular industries.<sup>93</sup>

---

<sup>90</sup> FATF, *Third Mutual Evaluation Report – Japan*, 17 October 2008, pp. 169. Accessed at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/MER%20Japan%20full.pdf>

<sup>91</sup>The Prefectural Public Safety Commission does license 'business parlours' and casino bars in accordance with Article 3 of the Act on the Control and Improvement of Entertainment and Amusement Business. However, exchanging chips from the entertainment for money or prizes is prohibited by the law. Source: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/MER%20Japan%20full.pdf>, pp. 21.

<sup>92</sup>*Ibid.*, pp. 172.

<sup>93</sup>Asia/Pacific Group on Money Laundering (APG) – *Mutual Evaluation Report on Malaysia*. Adopted 25 July 2007, pp. 6.

Malaysia also has a well-established system for ensuring the ethical and professional behaviour on the part of professionals such as accountants, auditors, and lawyers. This includes the existence of codes of conduct and good practices, as well as methods to ensure compliance such as registration, licensing, and supervision.

## Mexico

All types of DNFBPs are active in the Mexican economy. At the time of Mexico's mutual evaluation in 2008, there were no AML/CTF legal or regulatory measures, nor supervision, for any of the categories of DNFBP, except for trust services which, by law, can be provided only by licensed financial institutions.<sup>94</sup> Casinos are prohibited by law, including slot machines, except during regional fairs in which case a temporary permit is required to operate a betting game hall. One to five such casino licenses are issued every year.<sup>95</sup>

In October 2012 the Mexican Congress approved new legislation which designates and introduces reporting requirements in relation to the following 'catalogue' of services, which includes, *inter alia*, gambling and lotteries, real estate services, dealers in precious stones and metals, auctions and artwork, vehicle dealers, legal and accounting services and donations by non-profit organisations. Services provided by these DNFBPs are also subject to various cash thresholds. The legislation further imposes suspicious transaction reporting requirements on commercial establishments and notaries.<sup>96</sup>

## New Zealand

The *Anti-Money Laundering and Countering the Financing of Terrorism Act 2009* (AML/CFT Act) was passed on 16 October 2009.

The application of AML/CTF responsibilities for businesses and professions is being approached in two phases or tranches. The first phase largely covers financial institutions and casinos; the second phase will potentially extend coverage to real estate agents, lawyers, accountants, conveyancers, bullion dealers, jewellers and other high value dealers. New Zealand's six casinos are regulated under the *Gambling Act 2003* and the AML/CTF Act.

## Papua New Guinea

The *Proceeds of Crime Act 2005* (POCA) sets out basic AML/CTF preventative measures applying to all the DNFBPs, with the exception of trust and company service providers as set out in the international standards. With the exception of casinos and regulated trust and company service providers, all DNFBPs are currently active in PNG. PNG has recently passed legislation to allow a casino to operate, however no casino license has yet been granted. The casino will fall within the definition of a cash dealer and will fall under the requirements of the POCA.<sup>97</sup>

---

<sup>94</sup>FATF – *Mutual Evaluation of Mexico – Third Follow up Report*, October 2012, pp. 9.

<sup>95</sup>*Mutual Evaluation Report: Mexico*, pp. 13.

<sup>96</sup> See McClesky, C. 'Mexico Passes Long-Awaited Money Laundering Law,' *In Sight Crime*, 12 October 2012. It remains unclear however which commercial establishments are subject to STR requirements.

<sup>97</sup> Asia/Pacific Group on Money Laundering (APG)/World Bank, *Mutual Evaluation Report: Papua New Guinea*, 21 July 2011, p. 30. Accessed 4 February 2013 at: [http://www.apgml.org/documents/docs/17/PNG%20MER\\_July%202011.pdf](http://www.apgml.org/documents/docs/17/PNG%20MER_July%202011.pdf)

## Peru

Currently, most DNFBPs in Peru are subject to some AML/CTF regulatory controls. The Peruvian Government, particularly under the Humala Administration, have taken steps to implement AML/CTF reform in the DNFBP sector. Amendments under Law N° 29038 of June 2007 introduced amendments which brought the financial intelligence unit under the auspices of the Superintendency of Banking Insurance and Private Pension Funds (SBS) and extended the categories of DNFBP obligated to report suspicious transactions.

Legislative Decree N°1106 of April 2012 further strengthened Peru's AML/CFT regime by establishing the Peru Lawyers Association and Peru Accountants Association as supervisory agencies and granting Peru's FIU powers to regulate the AML/CFT system for all reporting entities (including supervision of public notaries). Importantly, authorities recognise that high risk operations such as mining companies and dealers of explosives or chemical components used in drugs and explosives were important entities to capture in the Peruvian context. Despite these positive steps, there is a lack of specific regulations issued for the broad categories of DNFBP and currently no AML/CTF controls extended to the legal and accounting professions.

## The Philippines

All categories of DNFBP operate in the Philippines. Trust departments of banks, trust corporations and investment houses are licensed by the banking regulator, Bangko Sentral ng Pilipinas (BSP) and are considered 'covered institutions' under the Philippine Anti-Money Laundering Act, the AMLA.<sup>88</sup>

In March 2013, Philippine AML/CFT laws were strengthened to include persons ('covered institutions') that provide certain financial services to clients or customers, such as jewellers, lawyers and accountants, and company service providers. Dealers in precious metals and stones are subject to a cash transaction threshold (PHP1,000,000.00 or approximately USD 24 000). Casinos are yet to be legislated under the AMLA.

## Russia

Russia has designated most categories of DNFBP but most are neither supervised nor registered specifically for AML/CTF purposes.<sup>89</sup> Russia's AML/CTF regime was implemented in two tranches: the first covering financial institutions, the gaming sector, the real estate industry and dealers in precious metals and stones. Therefore, the DNFBPs designated under Tranche one are subject to the same preventative measures as financial institutions. The second tranche applies to lawyers, notaries and accountants and in general, are subject to a less stringent version of the obligations that apply to tranche one entities. Real estate agents, casinos and dealers in precious metals and stones are required to report suspicious transactions. Russia's FIU, Rosfinmonitoring, is responsible for supervising casinos and real estate agents.

## Singapore

<sup>88</sup> Asia-Pacific Group on Money Laundering (APG)/World Bank – 2<sup>nd</sup> Mutual Evaluation of the Republic of the Philippines, Adopted 8 July 2009, pp. 31.

<sup>89</sup> FATF Second mutual evaluation report – Russian Federation, 20 June 2008. Accessed at <http://www.fatf-qa.fi.org/media/fatf/documents/reports/mer/MER%20Russia%20ful.pdf>, pp. 12.

Up until recently, Singapore applied AML/CTF preventive measures to legal practitioners and trustees only (but not company service providers). Singapore has significantly strengthened its AML/CTF regime in relation to DNFBPs including extending reporting requirements applicable to lawyers who provide trust services and to casinos, which have had a physical presence in Singapore since 2010. Singapore has not yet applied preventive measures to accountants, trust service providers (other than trust companies and lawyers), company service providers, dealers in precious metals and stones and real estate agents. While not explicitly regulated for AML/CTF purposes, Singaporean authorities have plans in place to further strengthen the requirements for such DNFBPs.

## Chinese Taipei

Dealers in precious metals and stones and trust businesses are the only designated non-financial service providers to be included in Chinese Taipei's AML/CTF regime, in accordance with the *Money Laundering Control Act* (MLCA). The establishment and operation of casinos are prohibited by law.<sup>100</sup>

The AML/CTF obligations that are imposed under the MLCA on financial institutions are equally applied to the jewellery sector. In January 2012, new regulations governing the reporting of transactions above certain amounts and suspected money laundering transactions by dealers in precious metals and stones came in force. According to the new regulations, CDD and record-keeping obligations for jewellery dealers are now applied for cash transactions above NT\$500,000 (approximately US\$16,850).

Jewellers in Chinese Taipei, in addition to dealing in precious metals and stones, also perform other functions associated with financial institutions such as currency exchange. The Ministry of Economic Affairs (MOEA) is the relevant AML/CTF supervisor for the jewellery sector and the ministry has issued a "Checklist of Money Laundering Prevention Guidelines and Procedures" for jewellery businesses.

## Thailand

Five of the seven FATF designated non-financial businesses and professions officially operate in Thailand: dealers in precious metals and stones, real estate agents, accountants, and lawyers. Notaries, TCSPs and casinos do not operate in the jurisdiction. Casinos are illegal. Thai laws do not permit the establishment or registration of trusts and TCSPs do not perform any of the functions in the FATF definition.

In 2009, section 16 of the Thai AML/CTF Law, the AMLA, was amended to extend reporting requirements to nine categories of DNFBP, including asset management companies, jewellery and gold shops, automotive hire-purchase businesses or car dealers, real estate agents/brokers, antiques shops, personal loan businesses, electronic card businesses, credit card businesses, and electronic payment businesses.

## The United States

The *Annunzio-Wylie Anti-Money Laundering Act 1992* (US) (Annunzio-Wylie Act) permitted the Secretary of the Treasury to require any financial institution to file a report of a suspicious transaction. The AML/CTF legislation in the United States includes the *Currency and Foreign Transactions*

---

<sup>100</sup> Asia/Pacific Group on Money Laundering (APG) *Mutual Evaluation Report on Chinese Taipei*, 24 July 2007, p. 145.

*Reporting Act* (US) (known as the Bank Secrecy Act (BSA)), the *Money Laundering Control Act 1986* (US) (MLCA), and the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act 2001* (US) (the PATRIOT Act).

Some AML/CTF provisions extend to all businesses and to all individuals. The Annunzio-Wylie Act requires all businesses to keep customer identification records for all currency transactions between US\$3,000 and US\$10,000. Section 31 USC 5331 requires all individuals involved in trade or business (except financial institutions which are covered by the BSA) to report currency received for goods in excess of US\$10,000 to the Financial Crimes Enforcement Network (FinCEN), the financial intelligence unit in the United States.

The PATRIOT Act expanded the anti-money laundering program requirements to include broker-dealers, casinos, futures commission merchants, introducing brokers, commodity pool operators and commodity trading advisors. Informal value transfer systems (providers of remittance services) were also included in the definition of financial institutions. The regime also includes dealers in precious metals, stones, or jewels. Professions in the United States, such as legal practitioners, are not subject to preventive AML/CTF requirements. Members of the professions, however, may of course be prosecuted for any criminal involvement in the financing of terrorism and for assisting ML/TF activities.<sup>101</sup>

## Viet Nam

Viet Nam's AML Decree No 74 includes some but not all DNFBP sectors. Article 6 of the Decree designates casinos, lawyers, real estate agents, and dealers in precious metals and stones as subject to AML/CTF requirements. Accountants and company service providers are not currently included as regulated entities, and it is unclear whether notaries have any obligations under the Decree. There are also gaps in the definitions of DNFBPs included in AML Decree No 74. For example, the definition of real estate agent is limited to companies.<sup>102</sup> In relation to issuing AML/CTF guidance to specific sectors, Viet Nam has to date issued Circulars 148 (Ministry of Finance), 22 (Ministry of Construction) which provide further guidance for the gaming and real estate sectors. Viet Nam is currently conducting research in relation to issuing guidelines for other categories of DNFBP as stipulated by AML Decree No 74.

---

<sup>101</sup> Levi M & Reuter P 2006. *Money laundering*, in Tonry M (ed), *Crime and justice: A review of research* vol 34. Chicago: Chicago University Press: 289–386.

<sup>102</sup> APG *Mutual Evaluation of Vietnam*, 8 July 2009, p. 148. Accessed at: <http://www.apgml.org/documents/docs/17/Vietnam%20ME1.pdf>

## Conclusion and Recommendations

The most significant challenge for the present study was the overall lack of available data on terrorist financing in the economies examined. It was difficult to source current information on the size and scope of DNFBP sectors in APEC economies and specifically on the terrorist financing risks they face. This finding was consistent with the views of workshop participants who agreed the topic of DNFBPs was a 'tricky one' and economies have not readily focused on the terrorist financing risks in these sectors. This result is not surprising given that Recommendations relating to DNFBPs under the former 40+9 framework were considered non-core/key FATF Recommendations. As a result, countries have largely focused their AML/CTF efforts on the core/key Recommendations as a priority.

Workshop participants and participating officials agreed there was no 'one size fits all' approach to the regulation of DNFBP sectors. The general consensus was, it is the context of each economy's terrorist financing activities that will determine its regulatory approach, and economies' DNFBP regulations must be tailored for the specific business and professional sector of each economy.

Given the lack of available data, it was not surprising information on terrorist financing in the business and professional groups of participating APEC economies was limited. This finding is consistent with the results of other studies on this issue. Contributing to this finding is most likely the lack of empirical information (namely terrorist financing cases) which involves DNFBPs. Compounding this issue are that efforts to detect and interdict terrorist financing are usually only dealt with through existing mechanisms to combat money laundering. Indeed, in some jurisdictions, the only available tools law enforcement officials have to combat terrorism are anti-money laundering statutes. This can result in terrorist financing investigations proving 'too difficult' as a result of inadequate powers and/or lack of capacity by reporting institutions to identify such transactions.

DNFBPs provide a range of services and activities that vastly differ, both in their methods of delivery, and in the depth and duration of the relationships formed with customers, and the size of the operation. DNFBPs may also have different regulatory requirements at the national/state level than at the state or provincial level. As a result, it was beyond the scope of this report to provide high-level guidance for APEC economies, rather each economy and its national authorities should aim to establish an active dialogue and partnership with its DNFBP sectors and relevant SROs that will be mutually beneficial in protecting their non-financial sectors from terrorist financing.

In relation to AML/CTF guidance, Annex 1 provides a table which outlines the inclusion of DNFBPs in regulatory regimes across APEC economies. For each category, the related guidance material is annotated and a reference to the related material is provided (where possible). This enables participants to view other economies' approaches to regulating their DNFBP sectors and the type of guidance provided to that sector – bearing in mind, however, each economy will have different regulatory approaches depending on a range of factors unique to their jurisdiction.

This report has generally only considered the seven main FATF-designated non-financial business and professions. It is important to acknowledge this does not limit the inclusion of a range of 'other' types of DNFBP (motor vehicle dealers, arts and auction houses, pawnbrokers, for example) in economies' AML/CTF regulatory regimes. In some cases, the levels of risk may be higher in the non-FATF designated categories of DNFBP and in these cases economies need to engage with the relevant sector to address the differing levels of risk.



In relation to legal professionals, it is important to remember the range of activities carried out by this sector is diverse and varies from one economy to another. It is acknowledged by FATF members that full implementation of these specific Recommendations has not been universal. As a consequence, a major part of the legal profession is not covered by global AML/CTF regulatory standards. It is therefore important that competent authorities understand the specific roles undertaken by different legal professionals within their respective economy when assessing the vulnerabilities and risks concerning their professional sectors.

For the other sectors, casinos were not considered particularly vulnerable to terrorist financing. Research undertaken throughout this project only found a handful of reported cases of suspected terrorist financing in the casino sector. This finding is supported by anecdotal evidence from workshop participants involved in this project who noted that were *'not aware of information which involved the funding of terrorism via the casino sector, nor would it be a likely scenario'*. The real estate sector remains vulnerable to terrorist financing in some of the economies examined. Use of false identification to acquire property or sign a lease remained a common method for avoiding detection by authorities. However, workshop participants reported that in the case of Indonesia, terrorists are more likely to 'homestay' in an informal room rental arrangement than acquire a formal rental property. These factors make detection of terrorist financing in the real estate sector increasingly difficult.

While the empirical evidence may not strongly support widespread misuse of the DNFBP sectors among APEC economies, the risk these sectors may wittingly or unwittingly become involved in such activity does remain an ongoing concern. Although it is most likely beyond the scope of most economies to assess the level of risk amongst those businesses and professionals that operate outside current legislative and professional regulatory controls, it is here the levels of risk may be higher. As a result, APEC economies are encouraged to remain vigilant in protecting both the non-business and professional sectors from potential abuse by terrorist financiers. Increased vigilance on behalf of the DNFBP sector may prevent further illicit activities from occurring, and has economic benefits beyond the sector itself.

## Recommendations

Given the above findings, APEC economies may wish to consider the following recommendations:

- As a first step, conduct (or commission an external provider to undertake) a detailed risk assessment on the money laundering/ terrorist financing risks unique to the specific business and professional sector in the relevant economy. *For example, the Indonesian financial intelligence unit hired a local Indonesian firm (the Indonesian Anti-Money Laundering Institute) to help conduct research, both on the size and on money laundering/terrorist financing across the DNFBP sector. This work was a useful first step towards understanding the risk of terrorists channelling funds through DNFBPs and how regulation might effectively address these risks.*
- Establish an active dialogue and partnership with the relevant economy's DNFBP sectors and related SROs and/or associations that will be mutually beneficial in protecting their non-financial sectors from terrorist financing.
- Conduct education campaigns for the non-financial businesses and professions covered by the economy's relevant AML/CTF legislation, or those at heightened risk of terrorist financing

occurring. Under the PPATK-AUSTRAC Partnership Program (PAPP), the Indonesian Anti-Money Laundering Institute along with the PAPP team conducted a range of education campaigns for the DNFBP sector across Indonesia.

- As far as possible, maintain detailed records of terrorist financing cases involving DNFBPs and typologies that may be used.
- Publish AML/CTF guidelines in partnership with the relevant sector's SRO and/or associations.
- Seek opportunities to further build capacity in the area of counter terrorism financing more generally, and of terrorist financing through the DNFBP sectors more specifically. *For example, capacity building activities and workshops offered through economies' relevant FBRBs and other international fora.*

## **Future directions**

In terms of future research, the provision of terrorist financing case studies and further typology studies on the flow of funds from DNFBPs would be beneficial, if available. The role of certain DNFBPs (gatekeepers in particular) in channelling funds through not-for-profit organisations (NPOs) may also warrant further research. As noted in the outset of this report, a review of information contained in the forthcoming FATF 4<sup>th</sup> round of mutual evaluations may provide a more up to date picture of economies' current progress on DNFBP regulation.

## References

- Abuza, Z. 2003. 'Funding Terrorism in Southeast Asia: The Financial Network of Al Qaeda and Jemaah Islamiyah,' *NBR Analysis*, National Bureau of Asian Research, Vol. 14: No.5, December.
- Ashley, Sean P. 2012. 'The Future of Terrorist Financing: Fighting Terrorist Financing in the Digital Age.' *Penn State University Journal of International Affairs*, Vol. 1, No. 2, pp. 10.
- AUSTRAC *Typologies and Case Studies Report 2008*. URL: [www.austrac.gov.au/files/austrac\\_typologies\\_2008.pdf](http://www.austrac.gov.au/files/austrac_typologies_2008.pdf)
- AUSTRAC *Typologies and Case Studies Report 2010*. URL: [http://www.austrac.gov.au/files/typ\\_rpt.pdf](http://www.austrac.gov.au/files/typ_rpt.pdf)
- Choo K-K R, Smith R G, Walters J & Bricknell S. 2011. Perceptions of money laundering and financing of terrorism in a sample of the Australian legal profession, in *Research and Public Policy Series*, Australian Institute of Criminology, Canberra.
- Farah, D. 'Al Qaeda's Road Paved with Gold.' *The Washington Post*, 17 February 2002.
- Financial Action Task Force, *1997-1998 Report on Money Laundering Typologies*, 12 February 1998. Archived by FinCEN at: [www.fincen.gov/news\\_room/rp/files/typo97en.html](http://www.fincen.gov/news_room/rp/files/typo97en.html)
- Financial Action Task Force, *RBA Guidance for Dealers in Precious Metal and Stones*, 17 June 2008. URL: [www.fatf-gafi.org/media/fatf/documents/reports/RBA%20for%20Dealers%20in%20Precious%20Metal%20and%20Stones.pdf](http://www.fatf-gafi.org/media/fatf/documents/reports/RBA%20for%20Dealers%20in%20Precious%20Metal%20and%20Stones.pdf).
- Financial Action Task Force, *Guidance for Financial Institutions in Detecting Terrorist Financing*, 29 February 2008. URL: [www.fatf-gafi.org/media/fatf/documents/Guidance%20for%20financial%20institutions%20in%20detecting%20terrorist%20financing.pdf](http://www.fatf-gafi.org/media/fatf/documents/Guidance%20for%20financial%20institutions%20in%20detecting%20terrorist%20financing.pdf)
- Financial Action Task Force, *RBA Guidance for Legal Professionals*, 23 October 2008. URL: [www.fatf-gafi.org/media/fatf/documents/reports/RBA%20Legal%20professions.pdf](http://www.fatf-gafi.org/media/fatf/documents/reports/RBA%20Legal%20professions.pdf)
- Financial Action Task Force, *RBA Guidance for the Real Estate agents*, 17 June 2008. URL: [www.fatf-gafi.org/media/fatf/documents/reports/RBA%20Guidance%20for%20Real%20Estate%20Agents.pdf](http://www.fatf-gafi.org/media/fatf/documents/reports/RBA%20Guidance%20for%20Real%20Estate%20Agents.pdf)
- Financial Action Task Force, *Money Laundering and Terrorist Financing Vulnerabilities of Legal Professionals*, June 2013. URL: [www.fatf-gafi.org/media/fatf/documents/reports/ML%20and%20TF%20vulnerabilities%20legal%20professionals.pdf](http://www.fatf-gafi.org/media/fatf/documents/reports/ML%20and%20TF%20vulnerabilities%20legal%20professionals.pdf)

Financial Action Task Force, *Global Money Laundering and Terrorist Financing Threat Assessment*, July 2010. URL: [www.fatf-gafi.org/dataoecd/48/10/45724350.pdf](http://www.fatf-gafi.org/dataoecd/48/10/45724350.pdf)

FitzGerald, V. 2003. 'Global Financial Information, Compliance Incentives and Conflict Funding', Working Paper no. 96, *QEH Working Paper Series – QEHWPS96*. URL: [www3.qeh.ox.ac.uk/pdf/qehwp/qehwps96.pdf](http://www3.qeh.ox.ac.uk/pdf/qehwp/qehwps96.pdf)

Global Witness. *For a Few Dollars More: How al Qaeda moved into the Diamond Trade*, April 2003.

In the Black, 'The accountant's guide to terrorism financing', 27 November 2012. URL: [www.itbdigital.com/tools-of-the-trade/2012/11/27/the-accountants-guide-to-terrorism-financing](http://www.itbdigital.com/tools-of-the-trade/2012/11/27/the-accountants-guide-to-terrorism-financing)

Kaplan, E. 'Tracking down terrorist financing.' Council on Foreign Relations: *Backgrounder*. April 4, 2006. [www.cfr.org/terrorist-financing/rethinking-terrorist-financing/p10356](http://www.cfr.org/terrorist-financing/rethinking-terrorist-financing/p10356)

Levi M & Reuter P 2006. *Money laundering*, in Tonry M (ed), *Crime and justice: A review of research* vol 34. Chicago: Chicago University Press: 289–386.

Levitt, M. and Jacobson, M. 2008. *The Money Trail: Finding, Following and Freezing Terrorist Finances*. Washington DC: Washington Institute for Near East Policy.

McKinsey & Company, 'Banking on mobile to deliver financial services to the poor,' in *Global Financial Inclusion: Achieving full financial inclusion at the intersection of social benefit and economic sustainability*, pp. 27. URL: [www.theqiin.org/binary-data/RESOURCE/download\\_file/000/000/149-1.pdf](http://www.theqiin.org/binary-data/RESOURCE/download_file/000/000/149-1.pdf)

Sharman, J.C. *The Money Laundry: Regulating Criminal Finance in the Global Economy*. Ithaca: Cornell University Press.

Sharman, J.C, van der Does de Willebois, E., Hlater, E. Harrison, R.A and Won, J. 2011. *The Puppet Masters: How the Corrupt Use Legal Structures to Hide their Stolen Assets and What to do About it* Washington D.C.: World Bank.

Walters, J. 'Buffalo duo likely tried to launder cash.' *The Toronto Star*, 20 September 2002.

Williams, C. 2010. *Potential and emerging areas of terrorism financing* presented at AUSTRAC workshop in Sydney.

Williams, P. 2005. 'Warning indicators, terrorist finances, and terrorist adaptation,' *Strategic Insights*, Vol. IV, No.1, US Naval Postgraduate School, URL: [www.apgml.org/frameworks/docs/7/Terrorist%20Financiers\\_P%20Williams\\_Jan05.pdf](http://www.apgml.org/frameworks/docs/7/Terrorist%20Financiers_P%20Williams_Jan05.pdf)

# Annex 1. Characteristics and regulation of DNFBPs across APEC economies

Inclusion of non-financial businesses and professions in AML/CTF regimes across APEC economies

APEC Economy	FATF-designated DNFBPs										"Other" DNFBPs			Guidelines/guidance notes
	Casinos	Lawyers	Accountants	Notaries	Real Estate Agents	Dealers in Precious Stones	Metals	TCSPs	Motor Vehicle dealers	Antiques/second hand dealers				
Australia	Yes	No	No	No	No	No	Yes*	No	Partially	No	Yes - gambling services and bullion			
Brunei Darussalam	N/A	No	No	No	No	No	No	Yes	No	No	No guidance published			
Canada	Yes	Partially**	Yes	No	Yes	Yes	Yes	N/A	No	No	Yes, for all designated DNFBPs			
Chile	Yes	No	No	Yes	No	No	No	No	No	No	Yes, but only available in Spanish			
People's Republic of China	N/A	No	N/A	No	No	No	No	Yes	No	No	No guidance published			
Hong Kong, China	N/A	Yes	Yes	Yes	Yes	Partially	Partially	Yes	No	No	Additional Guidance note for TCSPs			
Indonesia	N/A	No	No	No	Yes	Yes	Yes	N/A	Yes	Yes	No guidance published			
Japan	N/A	Yes***	Yes	N/A	Yes	Yes	Yes	Yes	No	No	Yes - Lawyers (no URL)			
Republic of Korea	Yes	No	No	No	No	No	No	No	No	No	No guidance published			
Malaysia	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes - all DNFBPs. Bank Negara guidance available.			
Mexico	Yes	No	No	No	No	No	No	Yes	No	No	No - law only just implemented			
New Zealand	Yes	No <sup>^</sup>	No <sup>^</sup>	N/A	No	No	No	Partially	No	No	Guidance for the FIR, Act only			
Papua New Guinea	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	All DNFBPs covered by legislation, no effective implementation			
Peru	Yes	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	GAFISUD, Best Practice Manual for DNFBPs (Spanish only)			
The Philippines	No	Partially <sup>^^</sup>	Partially <sup>^^</sup>	Partially <sup>^^</sup>	Partially <sup>^^</sup>	Yes	Yes	Partially <sup>^^</sup>	No	Yes	No guidance published. Legislation only recently passed.			
Russia	Yes	No	No	No	Yes	Yes	Yes	No	Yes	Yes	Yes, but only available in Russian			
Singapore	Yes	Yes	No	N/A	No	No	No	Partially	No	No	Yes, some guidelines available			
Chinese Taipei	N/A	No	No	No	Yes	Yes	Yes	Yes	No	No	Yes - dealers in precious metals/stones (no URL)			
Thailand	N/A	No	No	N/A	Yes	Yes	Yes	N/A	Yes	Yes	No guidance published			
United States	Yes	No	No	No	No****	Yes	Yes	No	Yes	Yes	Voluntary guide only for lawyers			
Viet Nam	Yes	Yes	No	No	Yes	Yes	Yes	No	No	No	No guidance published			

**Notes**

- \*Bullion dealers only.
- \*\* Legal practitioners in Canada do not have AML/CTF obligations unless engaging in financial transactions (subject to certain exemptions).
- \*\*\* Lawyers in Japan are exempt from STR reporting.
- \*\*\*\*Real estate agents are defined as financial institutions but no rules have been set by FinCEN, therefore agents are not subject to AML/CTF requirements.
- <sup>^</sup> Legal practitioners in New Zealand only have AML/CTF obligations when engaging in financial or real estate transactions.
- <sup>^^</sup> Legal practitioners, accountants and real estate agents in the Philippines are only captured when managing client money, securities or other assets; organisation of contributions for the creation, operation or management of companies; and buying and selling business entities.
- <sup>^^^</sup> Trust entities are considered to be Covered Institutions under Section 3(a) of AMLA.

APEC Economy	Guidelines/ guidance notes	Reference (URL if available)
Australia	Yes - gambling services and bullion	Casinos: <a href="http://www.austrac.gov.au/files/gn0803_gambling_services.pdf">www.austrac.gov.au/files/gn0803_gambling_services.pdf</a> Bullion: <a href="http://www.austrac.gov.au/files/gn0901_bullion_definition.pdf">http://www.austrac.gov.au/files/gn0901_bullion_definition.pdf</a>
Brunei Darussalam	No guidance published	
Canada	Yes, for all designated DNFBPs	Casinos: <a href="http://www.fintrac-canafe.gc.ca/re-ed/files/casinos-eng.pdf">www.fintrac-canafe.gc.ca/re-ed/files/casinos-eng.pdf</a> Accountants: <a href="http://www.fintrac-canafe.gc.ca/re-ed/files/accts-eng.pdf">www.fintrac-canafe.gc.ca/re-ed/files/accts-eng.pdf</a> Real Estate agents: <a href="http://www.fintrac-canafe.gc.ca/re-ed/files/real-eng.pdf">www.fintrac-canafe.gc.ca/re-ed/files/real-eng.pdf</a> Dealers in precious metals & stones: <a href="http://www.fintrac-canafe.gc.ca/re-ed/files/dpms-eng.pdf">www.fintrac-canafe.gc.ca/re-ed/files/dpms-eng.pdf</a>
Chile	Yes, but only available in Spanish	
People's Republic of China	No guidance published	
Hong Kong, China	Additional Guidance note for TCSPs	Lawyers: <a href="http://www.hklawsoc.org.hk/pub_c/professionalguide/volume2/default.asp?cap=24.17">www.hklawsoc.org.hk/pub_c/professionalguide/volume2/default.asp?cap=24.17</a> Real Estate agents: <a href="http://www.eaa.org.hk/practice/documents/08-05_CRE.pdf">www.eaa.org.hk/practice/documents/08-05_CRE.pdf</a> Dealers in precious metals & stones: <a href="http://www.nd.gov.hk/pdf/pmpsd_guideline-e.pdf">www.nd.gov.hk/pdf/pmpsd_guideline-e.pdf</a>
Indonesia	No guidance published	
Japan	Yes - Lawyers (not available)	
Republic of Korea	No guidance published	
Malaysia	Yes - all DNFBPs	TSPPs: <a href="http://www.hkics.org.hk/media/publication/attachment/2141_AML%20Guidelines.pdf">www.hkics.org.hk/media/publication/attachment/2141_AML%20Guidelines.pdf</a> <a href="http://www.hkics.org.hk/media/publication/attachment/PUBLICATION_A_2317_GN10_AML%20companion_Final.pdf">www.hkics.org.hk/media/publication/attachment/PUBLICATION_A_2317_GN10_AML%20companion_Final.pdf</a>
Mexico	No - law only just implemented	
New Zealand	Guidance for the FTR Act only	
Papua New Guinea	No guidelines.	Bank Negara Malaysia, JPW/GP1[6]: AML/CTF sectoral guidelines 6 for DNFBPs (no URL available) All DNFBPs covered by legislation but no effective implementation.

Peru	GAFISUD Best Practice Manual for DNFBPs (Spanish only)	<a href="http://www.gafisud.info/documentos/esp/cooperacion/Proyecto_APNFD-Mejores_Practicas_y_Legislacion_Modelo-esp.pdf">www.gafisud.info/documentos/esp/cooperacion/Proyecto_APNFD-Mejores_Practicas_y_Legislacion_Modelo-esp.pdf</a>
		<a href="http://www.mincetur.gob.pe/turismo/dqjcm/leyes/RM_Nro_063_2009_MINCETUR.pdf">www.mincetur.gob.pe/turismo/dqjcm/leyes/RM_Nro_063_2009_MINCETUR.pdf</a>
The Philippines	Not yet, jewellers only just legislated	
Russia	Yes, but only available in Russian	
Singapore	Yes for lawyers and casinos	Casinos: <a href="http://www.lawsociety.org.sg/forMembers/ResourceCentre/RunningYourPractice/StartingaPractice/ComplianceMatters/MeasuresonAntiMoneyLaunderingandCounterTerrorAntiMoneyLaunderingMeasures.aspx">www.lawsociety.org.sg/forMembers/ResourceCentre/RunningYourPractice/StartingaPractice/ComplianceMatters/MeasuresonAntiMoneyLaunderingandCounterTerrorAntiMoneyLaunderingMeasures.aspx</a>
		Lawyers: <a href="http://www.lawsociety.org.sg/Portals/0/ResourceCentre/RunningYourPractice/pdf/PD_of_Council_takes_effect_on_15Aug_2007.pdf">www.lawsociety.org.sg/Portals/0/ResourceCentre/RunningYourPractice/pdf/PD_of_Council_takes_effect_on_15Aug_2007.pdf</a>
		Accountants: <a href="http://www.accountants.org.sg/Handbook/Vol%202/SAP/SAP%2019.doc">www.accountants.org.sg/Handbook/Vol%202/SAP/SAP%2019.doc</a>
		Real Estate: <a href="http://www.iras.gov.sg/ESVPortal/resources/realstateguidelinesrevisedmas060607website1amended.doc">www.iras.gov.sg/ESVPortal/resources/realstateguidelinesrevisedmas060607website1amended.doc</a>
Chinese Taipei	Yes - dealers in precious metals/stones	
Thailand	No guidance published	
United States	Voluntary guide only for lawyers	Casinos: <a href="http://www.fincen.gov/statutes_regs/guidance/pdf/FIN-2012-G004.pdf">www.fincen.gov/statutes_regs/guidance/pdf/FIN-2012-G004.pdf</a>
		Lawyers: <a href="http://www.americanbar.org/content/dam/aba/publishing/criminal_justice_section_newsletter/crimjust_taskforce_gtfgoodpracticesguidance_authcheckdam.pdf">www.americanbar.org/content/dam/aba/publishing/criminal_justice_section_newsletter/crimjust_taskforce_gtfgoodpracticesguidance_authcheckdam.pdf</a>
		Precious metals & stones: <a href="http://www.fincen.gov/statutes_regs/frn/pdf/antimoneylaundering060305.pdf">www.fincen.gov/statutes_regs/frn/pdf/antimoneylaundering060305.pdf</a>
Viet Nam	No guidance published	







**Asia-Pacific  
Economic Cooperation**

---

**2014/SOM1/CTWG/019**

Agenda Item: 8

## **Summary Report: Protecting Designated Non- Financial Businesses and Professions from Terrorist Financing**

Purpose: Information  
Submitted by: Australia



**1<sup>st</sup> Counter-Terrorism Working Group Meeting  
Ningbo, China  
22-23 February 2014**



## **Summary Report**

### **Protecting designated non-financial businesses and professions from terrorist financing**

Australia led a self-funded APEC project aimed at protecting designated non-financial businesses and professions (DNFBPs) from terrorist financing. Three workshops were conducted under this project and a report prepared for publication has been drafted. Comments on the draft report are sought from CTWG.

#### **Project Objectives**

DNFBPs are those sectors defined by the Financial Action Task Force on Money Laundering (FATF) that sit outside the mainstream finance industry but offer services or products which may be vulnerable to money laundering and terrorist financing. These sectors include – but are not limited to – casinos, real estate agents, dealers in precious metals and stones, lawyers, accountants, notaries and trust as well as company service providers. The core objectives of the project were to raise APEC's awareness of the terrorist financing risks posed to DNFBPs and to help economies develop suitable policy responses to mitigate these risks.

#### **Activities Conducted**

Capacity building workshops that were held in Singapore, Jakarta and Manila throughout 2012-13 sought to address some of the key challenges faced by selected APEC members in their efforts to protect DNFBPs from terrorist financing. The workshops brought together the counter-terrorist financing experts and representatives from the DNFBP sectors to consider the risks and suitable responses to prevent terrorist financing occurring through DNFBPs.

The project also involved conducting research into the specific terrorist financing risks posed DNFBPs in various APEC economies. The research work led to the generation of a draft report that outlines the various regulatory approaches adopted by economies, including the preventative measures and existing guidance that are in place to combat these risks. The report also draws on some of the discussion points raised and conclusions reached during the workshops.

#### **Key Outcomes**

In terms of key outcomes, the project:

- helped increase the level of stakeholder awareness of terrorist financing risks;
- identified the challenges associated with enforcing regulation to protect DNFBPs against these risks;
- trained participants on how to adopt reporting measures that can help protect the DNFBP sector from abuse by terrorism financiers; and
- contributed a new body of knowledge on the level of terrorist financing risks to DNFBPs.

#### **Follow-up Work or Recommendations**

In terms of future work, the provision of terrorist financing case studies and further typology studies on the flow of funds from DNFBPs would be beneficial, if available. The role of certain DNFBPs in channelling funds through not-for-profit organisations (NPOs) may also warrant further research. A review of information contained in the forthcoming FATF 4<sup>th</sup> round of mutual evaluations may provide a more up to date picture of economies' current progress on DNFBP regulation.

#### **Inquiries:**

Leslie Williams

Director, Reform, Security and ECOTECH

APEC Branch, Department of Foreign Affairs and Trade

Canberra, Australia.

☎: +61 (2) 6261 9694 ✉: [leslie.williams@dfat.gov.au](mailto:leslie.williams@dfat.gov.au)



**Asia-Pacific  
Economic Cooperation**

---

2014/SOM1/CTWG/020

Agenda Item: 3

## **CTWG Terms Of Reference (TOR)**

Purpose: Information  
Submitted by: CTWG



**1<sup>st</sup> Counter-Terrorism Working Group Meeting  
Ningbo, China  
22-23 February 2014**

## APEC COUNTER TERRORISM WORKING GROUP (CTWG)

### TERMS OF REFERENCE (TOR)

#### Introduction

APEC member economies recognize that creating a secure environment for economic activity is an important part of any strategy for regional growth and prosperity. APEC plays a valuable and constructive role in helping to: protect the economic systems of the Asia-Pacific region from attack, disruption, and misuse; protect the flow of legitimate trade and travel from compromise; and promote human security and a safe business environment.

In October 2001, following the terrorist attacks in the United States on September 11, APEC Leaders in Shanghai issued a Statement on Counter-Terrorism underlining that terrorism was a direct challenge to APEC's vision of free, open and prosperous economies, and to the fundamental values that APEC members hold. Leaders built on their commitments and instructions in a further Statement on Fighting Terrorism and Promoting Growth in 2002 in Los Cabos. APEC's Counter Terrorism Action Plans (CTAPs) were developed based on the 2002 APEC Leaders' Statement and incorporate relevant security-related elements of subsequent annual Leaders' and Ministers' statements. CTAPs provide a concise checklist of counter-terrorism measures undertaken by an APEC member economy to achieve the key elements of the Secure Trade in APEC Region (STAR) initiative. The CTAPs are a useful tool that provides an opportunity for member economies to take stock of their efforts, to respond to Leaders and Ministers' directions and to highlight capacity-building needs to implement these commitments. APEC Ministers, including sectoral Ministers, have also supported Leaders' commitments and instructions on countering terrorism in their ministerial statements and activities.

Bearing in mind Leaders' instructions to monitor progress and build capacity in counter-terrorism, APEC Senior Officials established an APEC Counter-Terrorism Task Force (CTTF) in May 2003. Since then CTTF's mandate has been extended five times.

In November 2009 Senior Officials reinforced the CTTF's mandate to include a particular focus on strengthening business resilience and the participation of the business sector to protect business, trade and economic growth from disruption. In November 2011, APEC Ministers endorsed the APEC's Consolidated Counter-Terrorism and Secure Trade (CT-ST) Strategy that underpin CTTF's efforts over at least the next following five years.

Recognising that the threat of terrorism has a long-lasting nature and the CTTF's valuable and constructive role in helping to protect the economic systems in the region from disruption, APEC Senior Officials endorsed the proposal to upgrade the task force into a working group in July 2013.

#### Mission

The Counter Terrorism Working Group's mission would thus be to:

- . build capacity in the region to mitigate, prepare for and respond appropriately to the threat posed by terrorism, including by building business resilience and fostering private-public partnerships to protect business, trade and economic growth from disruption; and
- . Improve coordination and enhance intra-APEC cooperation and integration of best practices on counter terrorism preparedness and response efforts in APEC.

The CTWG's annual priorities, projected activities and outputs will be outlined in its annual workplan, which will be reported to Senior Officials through the SCE Fora Report, and where appropriate, to Ministers and Leaders.

### **Medium-Term Objectives and Priorities**

According to the APEC Consolidated CT-ST Strategy, the CTWG will implement its work based on the three CT-ST fundamental pillars: security, efficiency and resilience, particularly on its four cross-cutting work streams: Secure supply chains; secure travel; secure finance and secure infrastructure. In accordance with the CT-ST strategy and annual directives of APEC Leaders and Ministers, the Working Group's objectives and priorities for 2013-2017 (in accordance with its strategic plan) would be:

1. Advance security, efficiency and resilience in the Asia Pacific region through activities in the four cross-cutting areas of CT-ST Strategy: secure supply chains, secure travel (including through the Travel Facilitation Initiative 'TFI'), secure finance and secure infrastructure;
2. Effectively implement Leaders' commitments and Ministers' instructions;
3. Identify key counter-terrorism and secure trade challenges facing APEC economies, including through the Counter Terrorism Action Plans (CTAPs);
4. Build capacity in ways that serve to both secure and facilitate regional commerce, taking into account differing capacities across the region and employing new approaches and multi-stage, multi-years initiatives;
5. Foster whole-of-government approaches within APEC economies, as well as enhance cooperation and coordination among economies and relevant APEC sub-fora; and
6. Strengthen cooperation with the private sector and with relevant multilateral organizations

### **Structure and Organisational Arrangements**

The CTWG will be managed by a Chair and Vice Chair (calendar years) on a rotation basis in accordance with the APEC "Guidelines for Lead Shepherd/Chair and Deputy Shepherd/Chair of APEC Working Groups and SOM Task Forces". The CTWG will be assisted by the Secretariat and supported at the working level by the "Friends of the Chair" (FOTC) who will provide recommendations, advice, and input and develop work programs as required.

The CTWG will meet at least twice a year annually in the margins of Senior Officials' Meetings and conduct business via email intersessionally. The CTWG will have a term of five years, after which SOM shall review the CTWG's work and decide whether to extend its mandate.

---





**Asia-Pacific  
Economic Cooperation**

---

**2014/SOM1/CTWG/021**

Agenda Item: 10

## **Report on Counter Terrorism Activities from Papua New Guinea**

Purpose: Information  
Submitted by: Papua New Guinea



**1<sup>st</sup> Counter-Terrorism Working Group Meeting  
Ningbo, China  
22-23 February 2014**

## 2014 C SOM1: PNG's BRIEF UPDATE ON CTTF MATRIX – NINGBO, CHINA

### A. Introduction

Chair and distinguished delegates, it gives me great pleasure to address you in this very important forum and to provide you a very short brief on the progress we are making in addressing the threat of terrorism and associated national and regional security issues in Papua New Guinea. In this regard, we have updated our Counter Terrorism Action Plan Matrix and we will submit the Matrix to your esteemed office before the end of 2014 SOM1.

Much of what I am going to say has been captured in the matrix; hence my brief will be very short.

### B. Counter Terrorism in PNG Context

Chair, as you are very much aware, Terrorism is NOT a problem in Papua New Guinea. Much of our internal security situation is driven by Law and Order issues associated with unemployment and the inadequacies within our internal socio-cultural and economic systems. PNG is conscious of this and much effort is being made to address this situation.

Notwithstanding the above, PNG stands committed and united with other APEC economies to address the threat of terrorism to ensure regional and global security by enhancing safe and secure environment for international trade.

It is in this context that PNG pursues a holistic national security approach to address the threat of terrorism; that is to say that we are taking a whole of government and a proactive approach to address the threat of terrorism within our own national security context, whilst working closely with regional and international friends to address this common agenda.

### C. National Security Perspective

It is in this regard Chair that I am pleased to inform you that last year we formulated our first-ever National Security Policy (NSP). The work towards formulating the NSP was done together with the review of the Defence White Paper. Our Prime Minister launched both policy documents on the 21<sup>st</sup> of December 2013. Efforts are now underway to implement both the NSP and the Defence White Paper.

In essence the NSP provides the policy framework for us, as an economy, to better deliver national security to our people and other stakeholders. The NSP will be implemented through its Strategic Action Plan. The Strategic Action Plan, amongst other things identifies actions required and agencies and sectors that are responsible for implementing the required actions. Amongst other actions is the need to formulate a Counter Terrorism Strategy. This would require streamlining existing sectoral programs and activities and initiating new and focused activities aimed at addressing the threat of terrorism.

### D. Sectoral approaches

#### 1. Transport Security – Department of Transport

Whilst these initiatives are progressed at the strategic level, there are other on-going sectoral efforts that are also progressed concurrently. For instance the Department of Transport has now developed a National Transport Strategy (NTS) which was launched last year, 2013. The NTS has now provided for the establishment of the National Maritime Authority which will be responsible for the administration of the Maritime Safety and Regulatory regimes. Subsequently a Transport Security Policy (TSP) is in draft and should be completed this year.

Additionally, the NTS will see the establishment of a Road Transport Authority where road Safety, Security, and Regulatory Regimes will be administered. Currently these roles and functions are performed by different State entities thus creating confusion and disjointedness in delivering this very important national agenda. The purpose of the Road Transport Authority (RTA), like the National Maritime Authority, is to streamline, harmonise and realign road transport safety and security



regulatory roles and functions. The Draft of the RTA Legislation is before the Government and should be introduced to Parliament for approval.

Similar rationalization and realignment has already taking place in the aviation sector.

NTS has also provided for the establishment of a transport security and policy unit within the DoT to provide oversight and supervision in development of policies, strategies, and programs for the three transport sectors and to coordinate and attend to international obligations relating to transport security.

## **2. Police Modernisation Plan and Defence White Paper**

Similarly actions are being initiated and implemented within the PNG Police. The Royal Papua New Constabulary has commenced implementing its Police Modernisation Program last year. The program involves building and upgrading Police infrastructure, modernising its training, investigation, prosecution and policing methods and other activities. Part of this program would involve upgrading the capacity and the capability of its Financial Intelligence Unit (FIU), which is responsible for coordinating our efforts in addressing money laundering and other related criminal activities.

Similar initiatives are also being implemented within the PNG defence Force. The Defence Force, through our new Defence White Paper, whilst continuing to perform its traditional role of protecting our sovereignty will support civilian agencies to promote safe and secure environment to facilitate trade in the country.

## **3. Other Sectoral Approaches**

Other sectoral approaches include our current effort to develop a policy on cyber crime, our attempt to draw-up an appropriate legislation to address money laundering, and the on-going efforts by PNG Customs, PNG Immigration Services, the Department of Foreign Affairs, Department of Commerce and Trade and others who continue to progress various programmes and activities to collectively enhance our national efforts towards facilitating international trade in a safe and secure environment.

### **E. Regional Approach in Addressing Human Smuggling and Trafficking**

Apart from the internal efforts, there are also many regional efforts progressed concurrently to address terrorism and other related threats. Amongst these is PNG's continued support to Australia's effort in combating what is obviously a regional issue, which is the issue of Human Smuggling and Trafficking in the region. In this regard, PNG has willingly provided facilities in PNG for the processing of the boat people who are attempting to enter Australia. PNG's commitment to this effort is on-going.

### **F. Progress towards 2018**

Chair, as you are well aware, PNG will be hosting APEC 2018. Our preparations for 2018 are progressing very well. APEC 2018 is one of our top national priorities for the next 4 years thus requiring closer government attention in terms allocating appropriate resources for preparations leading up to 2018. APEC 2018 is one of our big ticket national agendas.

As you may be aware, last year our Cabinet approved the APEC 2018 National Operations Plan. APEC 2018 Organising Committee is chaired by our Prime Minister and the Deputy Prime Minister is the Deputy Chair, thus indicating our total commitment and giving it the prominence it deserves. The Committee on Safety and Security is jointly chaired by both Police and Defence Ministers.

Since the formation of the Committee on safety and Security, we have held three meetings so far. Chair, we will continue to update you and the distinguished colleges on our preparations towards 2018.

Chair, at this juncture PNG wishes to acknowledge and thank many of our friends who have offered to provide their expertise and support to help us prepare for APEC 2018. In particular we would like to thank Indonesia, Australia and New Zealand for their support in our preparations for 2018.

It is on this note that I wish to thank you Chair and the distinguished delegates for allowing us the time to provide an update on our efforts in addressing terrorism and other related threats in PNG.

Thank you

**Ian Jinga**  
Director General –OSCA/NSAC  
Department of Prime Minister  
Papua New Guinea

-----end--



**Asia-Pacific  
Economic Cooperation**

---

**2014/SOM1/CTWG/022**

Agenda Item: 11

## **CTWG Strategic Plan 2013-2017 (Update)**

Purpose: Information  
Submitted by: CTWG Chair



**1<sup>st</sup> Counter-Terrorism Working Group Meeting  
Ningbo, China  
22-23 February 2014**

**APEC COUNTER-TERRORISM WORKING GROUP  
STRATEGIC PLAN 2013-2017**

**I. Introduction**

The APEC Counter-Terrorism Task Force (CTTF) was established in 2003 in response to the increased terrorist threat to the Asia-Pacific region's people and its economic, trade, investment and financial systems. APEC Leaders' commitments to undertake individual and joint actions to counter terrorism are expressed in two principle statements: the '2001 APEC Leaders' Statement on Counter-Terrorism', in Shanghai and the '2002 Leaders' Statement on Fighting Terrorism and Promoting Growth', in Los Cabos, and in every subsequent annual Leaders' Declaration. The CTTF's primary goal is to coordinate the implementation of APEC members' commitments related to counter-terrorism. A key aspect of its role is to help member economies to identify, assess, and address capacity building and technical assistance needs in this area. In November 2011, APEC Ministers welcomed the APEC Consolidated Counter-Terrorism and Secure Trade Strategy, which focuses APEC's work on secure supply chains, secure travel, secure finance, and secure infrastructure, and it is structured around three fundamental pillars of security, efficiency and resilience. Collaborating with a diverse set of APEC working groups and stakeholders, the CTTF develops, supports, and coordinates activities in support of this strategy, which will guide its work for at least the next three years. In 2013, cognizant that the threat of terrorism, frequency and intensity of disruption will continue to exist in the decade ahead, the SOM ECOTECH (SCE) endorsed the upgrade of the CTTF to a permanent Working Group.

**II. Vision Statement**

To take a comprehensive integrated approach to enhance member economies' ability to protect their economic systems and infrastructure as well as to respond and recover rapidly from misuse, attacks, and disruptions without compromising the flow of legitimate trade and travel.

**III. Mission Statements**

Coordinate, monitor, and review the implementation of the Leaders' and Ministers' commitments and instructions on countering terrorism and securing trade, including implementation of the Counter-Terrorism and Secure Trade Strategy; Assist APEC member economies to identify, assess, and address counter-terrorism and secure trade needs, including by developing, sponsoring, and coordinating targeted capacity building and technical assistance programs, using the APEC Counter-Terrorism Action Plans as the foundation for this work;

Facilitate close coordination and collaboration among relevant APEC fora on counter-terrorism and secure trade issues; Advise APEC Senior Officials, as appropriate, on current and emerging trends in counter-terrorism and secure trade efforts and report on proposals and projects as necessary; Build partnerships with relevant multilateral organizations, including multilateral financial institutions, and the private sector to advance leaders' and Ministers' instructions and avoid unnecessary duplication of efforts.

#### **IV. Critical Success Factor 2013-2017**

- Develop and implement innovative projects and initiatives that support secure supply chains, secure travel (including through the Travel Facilitation Initiative), secure finance and secure infrastructure;
- Consider the recommendation of the Independent Assessor's Report to transform the Task Force into a Working Group; (DONE)
- Promote risk-based approaches to security;
- Foster compatibility and share best practices on security standards and programs to enhance security, efficiency, and resilience;
- Enhance capacity building cooperation, including through the identification of gaps, needs and necessary resources; and
- Enhance mechanisms to promote comprehensive cooperation and coordination, including the engagement and partnership with relevant APEC sub-fora, multilateral organizations as well as with the private sector.

#### **V. Objectives**

1. Advance security, efficiency and resilience in the Asia Pacific region through activities in the four cross-cutting areas of APEC's Counter-Terrorism and Secure Trade Strategy: secure supply chains, secure travel (including through the Travel Facilitation Initiative), secure finance, and secure infrastructure;
2. Effectively implement Leaders' commitments and Ministers' instructions;
3. Identify key counter-terrorism and secure trade challenges facing APEC economies, including through the CTWG's Counterterrorism Action Plans (CTAPs);
4. Build capacity in ways that serve to both secure and facilitate regional commerce, taking into account differing capacities across the region and employing new approaches and multi-stage, multi-year initiatives;
5. Foster whole-of-government approaches within APEC economies, as well as enhancing cooperation and coordination among economies and relevant APEC sub-fora; and

6. Strengthen cooperation with the private sector and with relevant multilateral organizations.

## VI. Prioritized Implementation Schedule

Objectives	Start Date	Completion Date	Lead Economy	Lead Fora	Key Performance Indicator/ Outputs
1. Advance security, efficiency and resilience in the Asia Pacific region through activities in the four cross-cutting areas of APEC's Counter Terrorism and Secure Trade Strategy: secure supply chains, secure travel (including through the Travel Facilitation Initiative), secure finance, and secure infrastructure.					
- Secure Supply Chains	2013	2017	US	CTI/SCCP, TPTWG MEG-SEC, TFI, WCO	Number of workshop, training, capacity building activities Completing joint trade recovery project with TPTWG MEG-SEC
	2014	2014	Russia	CTWG, TPTWG, SCCP, UNDOC, WCO	Holding a Thematic Discussion on Container Transportation Security.
- Secure Travel / Travel Facilitation Initiative	2013	2017	Australia / CTWG Chair, CTWG-nominated TFI Steering Council Representative	SCE, CTI/BMG, CTI SCCP, TPTWG, MEG-SEC, TWG	Holding 3rd APEC Aviation Security Canine Screening Workshop (Joint Project with TPTWG Aviation Security Experts' Group)  Holding APEC Aviation security (low cost/ no cost) security and checkpoint optimization capabilities  Undergoing projects with BMG on advanced passenger information and trusted traveller programs, including

						the Travel Facilitation Initiative (TFI) Number of decisions and projects as a result of collaboration with other related fora and coordination within the TFI Steering Council.
- Secure finance	2013	May 2013	Australia		CTWG	Number of capacity building workshops on counter-terrorism finance, including designated non-financial businesses and professionals.
- Secure infrastructure	2013	June 2013	Canada		CTWG	Realization of Major Events Security Planning Workshop and Launch of the Framework
	2013	June 2013	US		SCCP, BMG, and TPTWG	Holding a Policy Dialogue on Secure Infrastructure and Determining Follow-on Capacity Building Activities
2. Effectively implement Leaders' commitments and Ministers' instructions	2013	2017	CTWG Chair		CTWG, various APEC sub-fora and multilateral organizations	Adoption of Strategic Plan 2013-2017 Implementing programs and projects in line with decisions of leaders and ministers Adoption of annual work plans
3. Identify key counter-terrorism and secure trade challenges facing APEC economies, including through the CTWG's Counter-terrorism Action Plans (CTAPs)	2013	2017	CTWG Chair		CTWG	Number of Counter Terrorism Action Plans (CTAP) submitted; Number of additions and updates to CTAPs; Increased discussion, exchange of views, information and best practices; Number of initiatives and programs;



<p>4. Build capacity in ways that serve to both secure and facilitate regional commerce, taking into account differing capacities across the region and employing new approaches and multi-stage, multi-year initiatives;</p>	<p>2013</p>	<p>2017</p>	<p>CTWG Chair</p>	<p>CTWG</p>	<p>Number of targeted activities identified, developed and delivered to meet specific counter terrorism capacity building needs; Capacity building review and evaluation.</p>
<p>5. Foster whole-of-government approaches within APEC economies, as well as enhancing cooperation and coordination among economies and relevant APEC sub-fora.</p>	<p>2013</p>	<p>2017</p>	<p>CTWG Chair</p>	<p>CTWG, various APEC sub-fora and multilateral organizations</p>	<p>Number of interactions with other APEC sub-fora, and international fora; Number of decisions and projects as a result of collaboration with other related fora.</p>
<p>6. Strengthen cooperation with the private sector and with relevant multilateral organizations</p>	<p>2013</p>	<p>2017</p>	<p>CTWG Chair</p>	<p>CTWG, various APEC sub-fora and multilateral organizations, and the private sector</p>	<p>-Number of policy dialogues and Secure Trade in the APEC Region (STAR) Conferences; -Number of invitations to attend CTWG meetings, initiatives of collaboration -Number of member economies participating in the CTWG's work; -Number of initiatives proposed and completed. -Transformation of CTTF into a permanent working group; (DONE)</p>





**Asia-Pacific  
Economic Cooperation**

---

**2014/SOM1/CTWG/000**

Agenda Item: 12

## **Document Classification List**

Purpose: Consideration  
Submitted by: APEC Secretariat



**1<sup>st</sup> Counter-Terrorism Working Group Meeting  
Ningbo, China  
22-23 February 2014**

Document Classification List

Document No.	Title	Agenda Item	Submitted By	Public Release		Reason for Restriction	Derestrict Date (w/ applicat)
				Yes	No		
2014/SOM1/CTWG/000	Document Classification List – 1 <sup>st</sup> Counter-Terrorism Working Group Meeting 2014	12	APEC Secretariat		√	Internal document	
2014/SOM1/CTWG/001	Draft Agenda – 1 <sup>st</sup> Counter-Terrorism Working Group Meeting 2014	2	CTWG Chair	√			
2014/SOM1/CTWG/002	Summary Record – 30 <sup>th</sup> Counter-Terrorism Task Force Meeting	2	CTWG Chair	√			
2014/SOM1/CTWG/003	APEC Secretariat Report on Key Developments	4	APEC Secretariat	√			
2014/SOM1/CTWG/004	Project Management Update	4	APEC Secretariat	√			
2014/SOM1/CTWG/005	Proposed Work Plan for 2014	6	CTWG Chair	√			
2014/SOM1/CTWG/006	2013 Counter-Terrorism Action Plans Summary Report Draft	7	APEC Secretariat	√			
2014/SOM1/CTWG/007	Counter-Terrorism Action Plan – Canada	7	Canada	√			
2014/SOM1/CTWG/008	Counter-Terrorism Action Plan – Hong Kong, China	7	Hong Kong, China	√			
2014/SOM1/CTWG/009	Counter-Terrorism Action Plan – Indonesia	7	Indonesia	√			
2014/SOM1/CTWG/010	Counter-Terrorism Action Plan – Japan	7	Japan	√			
2014/SOM1/CTWG/011	Counter-Terrorism Action Plan – Mexico	7	Mexico	√			
2014/SOM1/CTWG/012	Counter-Terrorism Action Plan – Russia	7	Russia	√			
2014/SOM1/CTWG/013	Counter-Terrorism Action Plan – Singapore	7	Singapore	√			
2014/SOM1/CTWG/014	Counter-Terrorism Action Plan – Thailand	7	Thailand	√			
2014/SOM1/CTWG/015	Counter-Terrorism Action Plan – United States	7	United States	√			
2014/SOM1/CTWG/016	Secure Infrastructure Workshop on Critical Infrastructure Security and Resilience	8	United States		√	Under consideration	
2014/SOM1/CTWG/017	Secure Finance Workshop on Countering the Financing of Terrorism with New Payment Systems	8	United States		√	Under consideration	
2014/SOM1/CTWG/018	Draft Report: Protecting Designated Non-Financial Businesses and Professions (DNFBPs) from Terrorist Financing	8	Australia		√	Draft	
2014/SOM1/CTWG/019	Summary Report: Protecting Designated Non-Financial Businesses and Professions from Terrorist Financing	8	Australia	√			

Document No.	Title	Agenda Item	Submitted By	Public Release		Reason for Restriction	Derestriction Date (where applicable)
				Yes	No		
14/SOM1/CTWG/020	CTWG Terms Of Reference (TOR)	3	CTWG Chair	√			

e: Italicized items have not been printed. All papers will be accessible on the MDDB after SOM1.

