



AML: unintended consequences

Michael Kabuni

- Court's interpretation of AML/CFT regimes
- Capacity to implement AML/CFT
- Impact on the unbanked
- Remittances



HOW DIRTY MONEY IS LAUNDERED

Typical Money Laundering Scenario





Capacity (Resources, Expertise)



Capacity

- PNG – 5000 cases of ML (Bank of PNG)
- Since 2008: 27 brought before the court
- Only 3 successfully prosecuted
- No politically exposed persons
- Major cases: \$117 million case involving Ok Tedi land owners fund



- Banks – Suspicious Activity Report
- FIU – assesses SAR

Referred to:

- Internal Revenue Commission - investigations
- Customs - investigations
- Ombudsman Commission – investigations
- Police – investigations & arrests
- ICAC – investigations and arrests
- Public Prosecutor – prosecution





The Unbanked

Why does it matter?



Why does the unbanked matter?

High rural population, high unbanked population

Asia-Pacific – 0.9 billion

PNG – 8million (World Bank/PNG Audit Report 2018)

Vanuatu – 1/3 of the population (UNCDF, 2017)

Solomon Islands – 1/3 of the population (CBSI, 2015)

Fiji – 1/3 of adults (ADB, 2019)





Customer Due Diligence:

Passports, Drivers license, NID Card





Impact on Remittance

Correspondent – Respondent banks



How important is remittance?

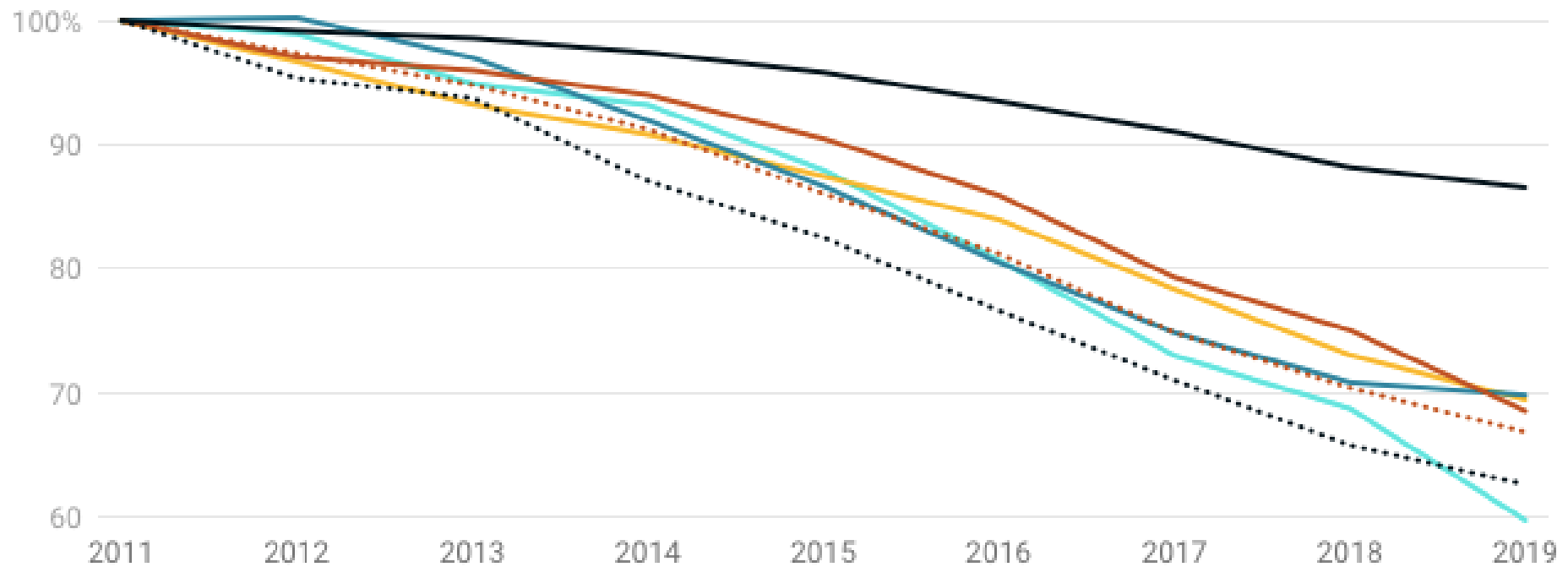
- Remittances to developing countries: \$440 billion (x3 more than foreign aid)
- Fiji – second largest source of FX after tourism (\$290 million)
- Tonga – 2/3 of GDP
- Samoa – 1/6 of GDP





Changes in the number of active USD correspondents by region

— Africa ···· Americas (excl. North America) — Asia — Eastern Europe ···· Europe (excl. Eastern Europe)
— Northern America — Oceania



- EU blacklisted in 2019 (an upgrade from greylist in 2018)
- FATF de-listed Vanuatu from its greylist
- 2021 National Development Bank closed its correspondent banking division



- Australia to the Pacific (Western Union in 2021 charges):
- Vanuatu – 11.24%
- Samoa – 9.6% (10.47% in second qrt)
- Tonga – 9.49%
- Fiji – 6.69% (10% in the first qrt)
- Global average – 6.38%

