

Anselmo L S Teng: Anti-money laundering in financial supervision

Opening speech by Mr Anselmo L S Teng, Chairman of the Monetary Authority of Macao, at the Financial Sector AML/CFT Seminar, Macao, 19 July 2007.

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Dear Delegates, Ladies and Gentlemen,

Today, we are holding a Macao financial sector AML/CFT seminar which carries the main theme “AML in Financial Supervision”. On behalf of the Monetary Authority of Macao, I wish to extend my heartfelt welcome to all guest speakers, particularly, Acting Assistant Commissioner of Insurance Ms. Carol Hui, Superintendent Mr. Ma Ping-yiu of Hong Kong Police, Narcotics Bureau, Senior Manager of Securities and Futures Commission of Hong Kong, Ms Linda Yiu. At the same time, I sincerely welcome our honoured guests, particularly Mr. Ip who represents the president of Macao Association of Banks, Mr. Si chairman of Macao Insurers’ Association, Mr. Lam the vice-chairman of Macao Money Changers Association, Mr. Tou chairman of Macau Insurance Agents and Brokers Association, Mr. Ip chairman of Federation of Macau Professional Insurance Intermediaries, Mr. Ng chairman of Association of Macau Financial Employees, and representatives from financial sector and colleagues from related agencies of the SAR Government!

In tandem with global economic and social development and the increasing openness and communication between countries and territories, money laundering has become an important channel for income reaped by perpetrators of crimes involving drug trafficking, smuggling, graft and fraud. On the other hand, the burgeoning terrorism is posing serious threat to peace, security and social order. At the moment, money laundering and financing terrorism activities have become a pandemic which threatens the integrity of the civilized world. How efficiently and effectively can we proceed with our AML/CFT work? It has become a deciding factor universally when comes to securing the steady development of our community and global economy.

As we are all aware, Macao is a highly open economic system in Asia-Pacific. The rapid growth in overall economy and financial industry has accelerated its linkage with other economic and financial systems in a more extensive and intimate manner. Such stimulation prompted further local economic growth but at the same time increase our exposure to more risks arising from new money laundering and financing of terrorism activities. In the face of the threats, the SAR Government relentlessly adopts preventive and punitive measures to effectively curb and combat these activities.

The measures adopted by Macao in AML can be traced back to 1991 in which Decree-Law No. 5/91/M was promulgated to enable the Government to confiscate assets derived from drug trafficking. The 1995 Penal Code unequivocally stipulates that all assets or gains through criminal activities shall be confiscated. The law on Organized Crime, Decree-Law No. 6/97/M in 1997, goes further to deal with crimes relating to conversion, transfer or dissimulation of illicit assets or gains arising from criminal activities. Decree-Law No. 24/98/M promulgated in 1998 implements mandatory reporting of suspicious activities, the entities under the supervision of AMCM are especially obliged to do so. In 2002, Law No. 4/2002 was passed to implement measures under international conventions signed and ratified by the Central Government and applicable to the MSAR. Specifically, it enables the anti-terrorist measures under Resolution no. 1373 of the United Nations Security Council to be applied to Macao.

In April, 2006, the SAR Government promulgated Law No. 2/2006 on “Prevention and Repression of Money Laundering Related Crimes” and Law No. 3/2006 on “Prevention and Repression of Terrorism Related Crimes”. These two legislations clearly define activities relating to money laundering and terrorism. They also provide that all persons including legal

entities bear criminal liability to activities relating to money laundering and terrorism, heavier penalty shall apply, reporting entities shall be protected and reporting entities are forbidden to divulge reporting information to third parties. In May and August of the same year, the SAR Government promulgated Administrative Regulation No. 7/2006 and Executive Order of the Chief Executive No. 227/2006 which require all financial institutions, casinos, off-shore companies, auditors, accountants, tax consultants, notaries, pawn shops, real estate agents and entities selling articles of high value to report suspicious activities to the newly set up Financial Intelligence Office which will collect and analyze such information.

As far as financial system is concerned, AMCM has been putting its utmost efforts in promoting the implementation of AML/CFT measures by financial institutions. The "Financial System Act" promulgated in 1993 requires, based on the standards set by the Basel Committee, all credit institutions to identify their customers and keep records of transactions in addition to scrutinizing the properness and qualification of the shareholders and senior management. In 1996, AMCM issued guidelines relating to AML to be complied by all credit institutions. These guidelines were revised in 2002 whereby they were edited into two sections. The scope of application was extended to include financial companies, financial intermediaries, money changers and cash remittance companies. Meanwhile, AML guidelines applicable to insurance industry were issued in 2001.

As the modes of crimes relating to money laundering and financing of terrorism are evolving all the time, the Financial Action Task Force on Money Laundering (FATF) modified the original text into 40+8 Recommendations in 2003. One more was added in 2004 making it 40+9 which became the benchmark for AML/CFT applicable to the international community. Last year, in order to fully synchronize with the AML/CFT legislations passed in 2006, AMCM revised again its guidelines by taking into account the new international standards and the practical situation of Macao in addition to in-depth review and consultation with industry practitioners. Three sets of new guidelines were issued, "AML/CFT Guidelines for Financial Institutions", "AML/CFT Guidelines on Large Cash Transactions" and "Guidelines on AML/CFT in Insurance". In the process, AMCM invited the International Monetary Fund (IMF) to provide technical assistance. Experts from the IMF came to Macao in 2004 and 2006 and provided expertise advice on our revised guidelines and on-site inspection which perfected our effort in supervision.

Simultaneously, AMCM committed more resources internally for such purpose which included an internal AML/CFT co-ordination working unit to strengthen co-ordination and planning of AML work. Besides our continued effort to improve our capacity in this respect, AMCM also provides training for the industry and relevant agencies in co-ordination and organization in order to enrich AML knowledge of the community and to impart the concept of prevention to the general public. On the other hand AMCM proactively participates in the work of the trans-departmental AML working unit which was founded in 2001. Before the inauguration of the Financial Intelligence Office, AMCM was responsible for general co-ordination with other government agencies including Public Prosecutions Office, Unitary Police Service, Commission Against Corruption, Legal Affairs Bureau, International Law Office, Judicial Police, Macao Customs Service, Economics Services Bureau, Finance Services Bureau, Gaming Inspection and Coordination Bureau, Macao Trade and Investment Promotion Institute, Macao Lawyers Association, Independent Commission for the Exercise of Disciplinary Power Over Solicitors and Macao Gaming Commission, with a view to enhancing AML efforts of the SAR through improved planning, organizing and implementation. Such responsibility was shifted to the Financial Intelligence Office with effect from November last year.

In the whole process, we not only assiduously supervise AML/CFT work of the industry, we attach a lot of weight to co-operation with other regulatory authorities and international organizations. In this respect, AMCM has concluded co-operation agreements and memoranda of understanding with other regulators such as the People's Bank of China, China Banking Regulatory Commission, China Insurance Regulatory Commission, Hong

Kong Monetary Authority, Hong Kong Securities and Futures Commission, Hong Kong Insurance bureau, Bank of Portugal and Institute of Insurance Supervision of Portugal to enhance cross border supervision and exchange of information.

On the other hand, AMCM is doing its utmost to fulfil the duties of AML/CFT of the MSAR accountable to the Offshore Group of Banking Supervisors (OGBS), Offshore Group of Insurance Supervisors (OGIS) and the Asia/Pacific Group on Money Laundering (APG). As early as 2001, Macao invited representatives from the OGBS and APG to conduct a first round joint appraisal on the AML/CFT efforts of Macao. In the same year, we invited IMF to conduct a comprehensive appraisal on the financial system of Macao. We secured positive comments in these two appraisals. Suggestions for improvement were raised at the same time. These suggestions, particularly those related to financial field, were implemented through the guidelines we mentioned above and supervisory work.

In December 2006, the SAR Government again invited the OGBS and APG to conduct a second round AML/CFT appraisal. The appraisal report is yet to be finalized and approved by the organizations, but the appraisal working unit has passed a positive judgment on the AML/CFT efforts displayed by the SAR Government in the past few years.

After the promulgation of the AML/CFT legislations, the relevant implementation has started. From formulation or revision of supervisory guidelines to their actual implementation, from staff training to enhancement of public awareness, from the formation of responsible organization or confirmation of responsible personnel to supplement and finalization of internal system, from trans-department, trans-organizational co-ordination and co-operation to deepening of external communication, every facet is proceeding according to schedule. Past experience tells us that this is a ever deepening process which entails our relentless efforts. At the same time it is a process which calls for cross reflection. We need to develop communication and co-operation. That is why we are here today for this seminar. I am glad to have experts from Hong Kong judiciary and supervisory authorities and local financial organizations here. They will present specific speeches from the angles of the supervising and the supervised. They will introduce to and share with us their invaluable experience obtained from their down-to-earth AML/CFT work. Because of this, I should say this is a rare chance for our financial employees to learn and exchange their experience. One can always benefit from observing what other people have done. I hope the experts and delegates will fully make use of this seminar to broaden their line of thinking through uninterrupted communication.

Finally, I wish the seminar a tremendous success.

Thank you!