

Papali'i T Scanlan: Preventing money laundering and financing of terrorism in Samoa

Speech by Mr Papali'i T Scanlan, Governor of the Central Bank of Samoa, at the Anti-Money Laundering and Countering Terrorist Financing Activities Workshop for Non-Profit Organizations in Samoa, Apia, 13 May 2009.

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Dear Colleagues,
Ladies and Gentlemen,

Good Morning.

At the outset, I would like to welcome all of you to this Anti Money Laundering and Countering Terrorist Financing Activities workshop, which is specifically designed for Non-Profit Organizations (or NPOs).

Thank you for accepting our invitation, and especially for sparing the time to be with us this morning.

The main objective of this one day workshop is to promote and enhance your individual Organization's awareness and understanding of the important aspects involved in fighting the offences of money laundering and the financing of terrorism in Samoa.

I understand that there are more than four hundred (400) NPOs registered with the Ministry of Commerce, Industry and Labor (MCIL). However, we have adopted a selective approach with the assistance of MCIL in identifying yourselves, as being the important entities to kick start this "Awareness Raising Program."

On that note, I would like to thank the MCIL for the support provided to the Central Bank in coordinating this important event.

Let me also thank several representatives of the various Government Ministries who are here with us today. We appreciate your accepting of our request to share with the participants your knowledge and experience in this field of your Ministry's work, which reflects your regulatory role towards preventing and/or detecting criminals offences, including money laundering.

This is the first Workshop of its kind on this important topic, with emphasis on the role of the NPOs to detect and prevent the offences of money laundering or terrorist financing activities.

Money laundering and the financing of terrorists are problems that should concern us all. They are not problems for only the Government and the law enforcement agencies to worry about. Rather, the public sector, the business community, the private sector and even ordinary citizens must play a role in combating these illegal activities.

This Workshop is therefore opportune, as it covers one of the important sectors, other than financial institutions. I am referring of course to yourselves, the Non-profit Organization Sector.

Non-profit organization sector

There is a strong belief internationally that the non-profit organizations sector is one of the more vulnerable sectors, which criminals would try and exploit to conduct their illegal activities without attracting much attention.

And, some of the reasons for such vulnerability relate to generally weak management structures and the lack of regulatory supervision over NPOs operation. Many jurisdictions

have relatively low institutional capacity to monitor NPOs and detect their being used for money laundering and by terrorist.

Some jurisdictions even indicate their unwillingness to impose a regulatory requirement on this Sector. In any case, there are several key questions that need answers to properly identify NPOs and their activities in a country. These questions include:

- i) What is an NPOs sector ?
- ii) How many NPOs are in operation?
- iii) What types are they (religious, cultural, educational, sports).
- iv) What activities do they perform?
- v) Are there registration requirements and record keeping requirements for NPOs?
- vi) Are there reporting requirements?
- vii) Are there mechanisms to verify funds are spent as advertised and planned?

So it is fair to say that there are major challenges and practical issues that need careful consideration when the issue of money laundering and terrorist financing is discussed from the perspective of NPOs.

The global concern

Let me now briefly highlight some of the concerns that have emerged globally in the area of money laundering and terrorist financing.

The goal of a large number of criminal acts is to generate a profit for the individual or group that carry out these acts. Money laundering is the processing of these criminal proceeds to disguise their illegal origin. This process is of critical importance, as it enables the criminal to enjoy these profits without jeopardizing their source.

Illegal arms sales, smuggling and the activities of organized crime, including, for example, drug trafficking, human trafficking and prostitution rings, can generate huge amounts of cash. Embezzlement, bribery and computer fraud schemes can also produce large profits and create the incentive to “legitimize” the ill-gotten gains through money laundering.

When a criminal activity generates substantial profits, the individual or group involved must find a way to control the funds without attracting attention to the underlying activity or the persons involved. Criminals do this by disguising the sources, changing the forms of the funds, or moving the said funds to a place where they are less likely to attract attention.

In response to mounting concern over money laundering, the Financial Action Task Force on money laundering (FATF) was established by the G-7 Summit in Paris in 1989 to develop a coordinated international response. One of the first task of the FATF was to develop Recommendations, (40 in all, plus 9 Special Recommendations) which set out the measures national governments should take to implement effective anti-money laundering programs.

The FATF works closely with other international bodies involved in fight against money laundering. And, one of those international organizations is the Asia Pacific Group on Money Laundering (the APG) in which Samoa is a member.

The APG was officially established as an autonomous regional anti-money laundering body in February 1997 for Asia and the Pacific region at the Fourth Asia/Pacific Money Laundering Symposium in Bangkok, Thailand. This was the culmination of a process of “awareness raising” in the Asia Pacific region initiated by the FATF as part of its global strategy.

To date, the APG has 39 member countries and a number of international and regional observers, including the United Nations, the IMF and the World Bank.

As a member of the APG, Samoa is required to undertake a domestic review of its NPO sector to determine the degree of vulnerability to money laundering and terrorist financing activities.

I should stress that this workshop is part and parcel of such a review.

Under the conditions of membership, all APG members have committed to implement the FATF Forty Recommendations and Nine Special Recommendations.

Special Recommendation VIII relates to non-profit organizations.

SRVIII calls on all countries to *“review the adequacy of laws and regulations that relate to entities that can be abused for money laundering and financing of terrorism. Non-profit organizations are particularly vulnerable and countries should ensure that they cannot be misused:*

- i) by terrorist organizations posing as legitimate entities;*
- ii) to exploit legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset freezing measures; and*
- iii) to conceal or obscure the illegal diversion of funds intended for legitimate purposes to terrorist organizations.”*

What is the scale of the problem?

By its very nature, money laundering occurs outside of the normal range of economic statistics. Nevertheless, as with other aspects of underground economic activity, rough estimates have been put forward to give some sense of the scale to the problem.

The International Monetary Fund (IMF), for example, has stated that the aggregate size of money laundering in the world could be somewhere between two to five percent of the world's Gross Domestic Products (GDP). And using latest statistics, these percentages would indicate that money laundering range between 2 to 3 Trillion US Dollars.

The program

A quick look at today's Workshop agenda indicates that you have an intensive program ahead of you. You will be covering a lot of important details such as; what money laundering is, the methods that criminals apply to hide their proceeds of crime, what effects money laundering could have on economic development, the connection with society at large and efforts Government is doing to combat money laundering.

So, I do not intent to dwell too much in those details. But suffice to say that Samoa is committed to fight the offence of money laundering and countering terrorist financing activities that might occur on our shores. We will prosecute criminals that intent to use our financial system to hide their ill-gotten proceeds.

Legislative framework

Samoa passed its Money Laundering Prevention Act in 2000. This Act was however repealed and replaced by the Money Laundering Prevention Act 2007. The latter legislation provides a more comprehensive legislative framework for the Samoa Money Laundering Prevention Authority (MLPA) to actively investigate any suspicious transactions that are alleged to involve money laundering. The Suppression and Prevention of Terrorism Act 2002, contains provisions for countering terrorist financing activities.

In addition to the above legislations, Parliament has also passed the Proceeds of Crime Act 2007 and Mutual Assistance in Criminal Matters Act 2007. These two legislation provides

explicit and appropriate powers for our law enforcement agencies to conduct investigation, obtain relevant evidence for prosecution, share and exchange information with the relevant law enforcement agencies (both local and overseas), as well as provide mutual assistance to other jurisdictions on criminal matters.

We have established a Money Laundering Prevention Task Force which comprises of the Attorney General, the CEOs of the Ministry of Revenue, the Prime Minister's Office, the Samoa International Finance Authority, the Ministry of Police and myself as Head of the Money Laundering Prevention Authority.

We have also established a Financial Intelligence Unit (FIU) within the Financial Institutions Department of the Central Bank, directly responsible for coordinating and undertaking the implementation of our AML/CFT regime. Our FIU has powers under the Money Laundering Prevention Act 2007 to receive and analyse all Suspicious Transaction Reports (STRs) from all financial institutions or any person(s) suspicious of money laundering offence in Samoa.

Get rich-quick operators in the region

I want to talk briefly about the so called "get rich-quick schemes" that have emerged recently in the Pacific Region.

Pacific Island Countries, including Samoa, recognize the critical role that domestic and overseas private investors as well as the inflow of capital, knowledge and technology have played and will continue to play in the development of the region.

Genuine investors are of course welcomed. But, in recent years, there appears to have been an increase in the number of operators of dubious financial background who move from country to country taking advantage of gullible governments and private individuals and entities. Their intention is to defraud governments and people by convincing them to accept and/or invest in get-rich-quick projects that are later proven to be just pure scams.

I should mention that we have come across a wide range of scams in the past, some of which have been repeated in several countries by different or most probably, the same operators. In the event, sharing of information about such experiences would benefit us all in our efforts to protect our financial system, not to mention our people, from such abuses.

The features of scams touted around the Pacific are mostly similar, except a few cosmetic variations in some cases. Usually, substantial benefits are promised by the get-rich-quick operators in return for payments made by the victims or some contingent liabilities accepted by Governments and private individuals up front.

Let me state some examples for your reference:

- i. Letters of Guarantee
- ii. A loan for Indigenous Development
- iii. A loan to a private company
- iv. Sale of Passports
- v. The Nigerian Scam
- vi. Lottery winnings

(The last two on the list have come up quite often through the internet and email messages.)

Capacity building

Let me end with a word on capacity building.

We can have the best laws to combat money laundering, the best system to prosecute the offenders but if we lack the human capacity to implement them, then our efforts will be in vain. Hence, building local capacity must therefore be at the forefront of our efforts.

The same concern applies to NPOs. That is, building capacities within the structures of our NPOs to be able to identify suspicious transactions and reporting them to the Money Laundering Prevention Authority (MLPA) is an important feature of Samoa's anti-money laundering and countering terrorist financing activities regime.

I understand that the MCIL may need to incorporate in its existing legislation some requirements for NPOs to comply with anti-money laundering measures and requirements. Some key requirements would include proper customer identification.

That is, the NPOs must have a good understanding of who their customers are and their sources of funds as well as the purpose of conducting financial transactions through or with them. Another important requirement relate to the proper keeping of books and records that would assist any investigation that may involve information or records of NPOs.

Conclusion

In concluding, I should reiterate that it is everyone's responsibility to do something about protecting Samoa from the offence of money laundering and terrorist financing activities.

And, although one of Government's principal and ongoing task is to increase public awareness, there is still a lack of common knowledge within the public domain of what constitutes a money laundering offence.

Indeed, such is further complicated by the fact that this invisible crime operates on the fringe of society, acting as a bridge between the underworld and the rest.

Hence, we need a collaborative approach to work together to overcome such challenges that could damage the image and reputation of Samoa's financial system, as well as the good standing of NPOs in the country.

I now have the pleasure of officially opening this Anti-Money Laundering and Countering Terrorist Financing Activities Workshop.