

RESERVE BANK OF FIJI



Press Release Attachment

WORLD BANK RELEASES ITS REPORT ON FIJI'S FRAMEWORK FOR COMBATING MONEY LAUNDERING AND TERRORIST FINANCING

Background

The World Bank has long been involved in international efforts on strengthening anti-money-laundering (AML) and combating the financing of terrorism (CFT) measures. Fiji agreed in 2005 to be assessed under the World Bank/International and Monetary Fund Financial Sector Assessment Programme (FSAP) including assessment of Fiji's AML/CFT regime based on Financial Action Task Force (FATF) 40 Recommendations on money laundering and 9 Special Recommendations on terrorist financing within the scope of UN conventions and Security Council Resolutions.

A team of three experts from the World Bank visited Fiji from 20 February – 4 March, 2006 to conduct an onsite assessment of Fiji's AML/CFT framework. The objective of the assessment was to determine how well Fiji is complying with the global AML/CFT standards.

The global standards which cover the criminal justice system and law enforcement, the financial system and its regulation and international co-operation have been set by the FATF. The FATF 40 + 9 Recommendations have been recognised by international organisations such as the International Monetary Fund and the World Bank as the international standards for combating money laundering and terrorist financing.

The World Bank team assessed Fiji's institutional framework, the relevant legislative environment and the regulatory and other systems in place to deter money laundering and the financing of terrorism. The World Bank team also held numerous meetings with relevant agencies during the two weeks.

Since Fiji is a member of the APG, the Report was adopted at the APG's annual plenary meeting that was held in July 2006 in Manila, Philippines. The Report is also published by the APG.

Compliance Ratings

Each FATF Recommendation is assessed against four possible level of compliance, that is: *compliant*, *largely compliant*, *partially compliant* and *non-compliant*. Fiji's level of compliance with the FATF 49 Recommendations as assessed by the World Bank is as follows:

- 8 compliant rating;
- 6 largely compliant rating;
- 32 partially compliant rating; and
- 3 non-compliant rating.

Summary of the World Bank Findings

The World Bank's Report of Fiji's AML/CFT framework noted the following key findings:

1. Fiji has committed substantial resources to bringing its AML/CFT systems up to international standards. However, the Report noted serious constraints on implementation and resources for Fiji's AML/CFT regime;
2. Fiji has a strong AML/CFT legislative framework with the recent inclusion of the Financial Transactions Reporting (FTR) Act. However, the assessment report noted some weaknesses in the FTR Act particularly dealing with keeping of anonymous accounts, dealings with non-face to face customers, shell banks and identification of natural persons. The Report also noted that implementation was the main concern and that effective implementation should be given priority;
3. The FTR Act closely reflects the international standards in creating a range of AML/CFT preventative regulatory requirements and extending them to a wide range of financial institutions and non-financial businesses and professions;
4. The criminalisation of money laundering is in line with international standards;
5. Fiji enjoys a progressive and comprehensive legislative framework for preserving and recovering the proceeds of crime;
6. Fiji criminalises a range of terrorist financing acts but falls short of international requirements in some technical aspects. However, the Report noted that there is a low risk of terrorist act in Fiji and to date there have been no known instances of terrorist financing activities;
7. Although Fiji has a functioning Financial Intelligence Unit, the Report noted that it has major operational challenges to effectively carry out its wide ranging powers and functions, including supervisory and compliance functions under the FTR Act, primarily due to inadequate resources;
8. The supervisory framework as structured under the FTR Act is unclear and cannot be effectively implemented. The Report noted that the powers to supervise and inspect financial institutions for compliance with the FTR Act needed to be clearly defined and the relevant supervisory authorities should be given exclusive and explicit responsibilities to supervise for AML/CFT purposes;
9. The legislative framework for international corporation is an exemplary one;
10. The inclusion of designated non-financial businesses and professions under Fiji's AML/CFT regime is a positive one. However, the report noted the absence of a risk based approach in implementing these requirements or exempting certain categories of financial institutions from the scope of the FTR Act;
11. There has been one successful conviction for money laundering offence in Fiji to date. The Report noted shortcomings in aggressively pursuing proceeds of crime and money laundering aspects of investigations;
12. The Report noted technical skills and material resource constraints in agencies responsible for the investigation and prosecution of ML and TF cases in Fiji;
13. The legal framework for asset recovery is very comprehensive and provides for both criminal and civil forfeiture;
14. Fiji has yet to take steps to implement the freezing mechanisms under the relevant UN Security Council resolutions. The Report noted absence of actual implementation;
15. The Report noted that Fiji's AML/CFT preventative measures within the financial institutions are at a transitional stage;
16. The Report noted that the FTR Act lacks a sufficient range of sanctions to ensure effective and proportionate enforcement of its requirements;

17. The Report noted that Fiji has not yet conducted a formal ML/TF review of the Non-Profit Organisation (NPO) sector;
18. The Company Registry Office is ill-equipped and manually maintained thus will adversely impact on the effective implementation of the provisions of FTR Act particularly in relation to customer due diligence for legal entities;
19. The Report commended the work of the National Anti-Money Laundering Officials Committee;
20. The Report recommended that Fiji should seek to ratify the *Palermo Convention* as soon as possible;
21. Fiji has a comprehensive system of mutual legal assistance but the Report noted delays in providing and receiving assistance due primarily to lack of technical capacity. The Report noted that the legal framework for extradition in Fiji is well developed but noted concerns including the lack of reciprocity and high cost of seeking exhibitions of persons to Fiji from foreign jurisdictions;
22. Powers for law enforcement authorities and the Financial Intelligence Unit to exchange information with a foreign counterpart are adequately provided under the existing AML/CFT framework.

Implementation of the World Bank's Recommendation

The National Anti Money Laundering (AML) Officials Committee, in its meeting in October 2006 adopted an Action Plan outlining the agencies which will be responsible for the implementation of the respective recommendations of the World Bank Report.

The Action Plan is also aimed at ensuring the timely implementation of the recommendations of the World Bank Report. The Financial Intelligence Unit, as secretariat for the National AML Officials Committee, will be coordinating the implementation of the Action Plan.

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