



BANK OF PAPUA NEW GUINEA



FINANCIAL ANALYSIS AND SUPERVISION UNIT

2022 ANNUAL REPORT
PAPUA NEW GUINEA'S FINANCIAL
INTELLIGENCE UNIT (FIU)

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BANK OF PAPUA NEW GUINEA

2022 Annual Report

Financial Analysis and Supervision Unit (FASU)

**Papua New Guinea's
Financial Intelligence Unit (FIU)**

VISION, MISSION AND OBJECTIVE

VISION

Creating an enabling environment for investment, trade, business development and economic stability, free from the influence of money laundering, proliferation and terrorist financing in PNG.

MISSION

To actively detect, deter and disrupt domestic and international money laundering and terrorist financing activities, thus protecting the integrity of PNG's financial system from being misused or abused for improper personal or professional gain.

OBJECTIVE

To strengthen the AML/CTF regime in PNG to meet international standards and practises.
To enhance and strengthen co-operation and co-ordination between domestic and international partner agencies to combating ML/TF activities.

TRANSMISSION LETTER FROM THE DIRECTOR FINANCIAL ANALYSIS AND SUPERVISION UNIT

7 August 2024

The Board of the Bank of Papua New Guinea

Dear Chair, Board and Governor,

Pursuant to Section 75 of the Anti-Money Laundering and Counter Terrorist Financing Act 2015, I am pleased to submit the annual report on the operations of the Financial Analysis and Supervision Unit (FASU) for the year ended 31 December 2022.

Yours sincerely,

Wilson Onea
Acting Director
Financial Analysis and Supervision Unit

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List of Acronyms

AML/CTF	Anti-Money Laundering and Counter-Terrorism Financing
AML/CTF Act	Anti-Money Laundering and Counter Terrorist Financing Act 2015
APG	Asia/Pacific Group on Money Laundering
AUSTRAC	Australian Transaction Reports and Analysis Centre (Australia’s FIU)
BPNG	Bank of Papua New Guinea, PNG’s Central Bank or Bank of PNG
BIP 151 ME	Business Improvement Project 151 Mutual Evaluation
BSP	BSP Financial Group Limited formerly Bank of South Pacific Limited
CDD	Customer Due Diligence
DHA	Australian Department of Home Affairs
DJAG	Department of Justice and Attorney General
DLPP	Department of Lands and Physical Planning
DNFBP	Designated Non-Financial Businesses or Professions
ECDD	Enhanced Customer Due Diligence
FASU	Financial Analysis and Supervision Unit (Papua New Guinea’s FIU)
FATF	Financial Action Task Force
FI	Financial Institutions
FIU	Financial Intelligence Unit
ICTD	Information and Communication Technology Department of BPNG
IEFTR	International Electronic Funds Transfer Report
IMD	Intelligence Management Division of FASU
INTERPOL	International Criminal Police Organization
LEA	Law Enforcement Agencies
ME	Mutual Evaluation
ML/TF/PF	Money Laundering/Terrorism Financing/Proliferation Financing
MOU	Memorandum of Understanding
NBC	National Broadcasting Corporation
NCC	National Coordinating Committee on AML/CTF
NPO	Non-Profit Organizations
QSAR	Quarterly Strategic Analysis Report
RPNGC	Royal Papua New Guinea Constabulary or Police
SCD	Supervision and Compliance Division of FASU
SMR	Suspicious Matter Report
SOP	Standard Operating Procedure
TTR	Threshold Transaction Report
UNODC	United Nations Office on Drugs and Crime

NATIONAL CO-ORDINATING COMMITTEE CO-CHAIR'S MESSAGE



Mr. Benny B M Popoitai, MBE
Acting Governor
Bank of PNG & Co-Chair of the
National Coordinating Committee on
AML/CTF

Papua New Guinea (PNG) has seen a drastic change in the manner in which financially motivated crimes are committed since the establishment of the suite of AML/CTF legislations in 2015. The Anti-Money Laundering and Counter Terrorist Financing Act 2015 has played a pivotal role with the establishment of the Financial Analysis and Supervision Unit (FASU) within the Bank of Papua New Guinea (BPNG).

The processes of laundering the proceeds of crime provide a unique window into the commission of crimes, such as corruption, that plague our nation. PNG's National Risk Assessment (NRA) identified corruption and bribery as one of the top five risks related to money laundering and terrorist financing in the country. Corruption is not just an offence committed by those who would misuse their positions to benefit themselves, it is a crime committed by all of those who assist such people in ways big and small.

PNG is unique in the environment in which crime is committed and as such the members of the National Coordinating Committee (NCC) on AML/CTF continues to utilise the minimum resources available to them to combat and prevent financial crimes within their respective mandate.

The financial institutions (FIs) and designated non-financial businesses or professions (DNFBPs) are the first line of defence responsible for detecting and preventing the use of their services or products from abuse of money laundering or terrorism financing.

The NCC on AML/CTF is capable of bringing the combined powers of each agency to target those who facilitate financially-motivated crime against our people.

The NCC on AML/CTF also drives engagement with international agencies. This engagement has seen an increase in the detection and disruption of offending that involves offshore entities and products.

To that end, PNG hosted the first in-person Pacific Financial Intelligence Community (PFIC) Plenary in November 2022. A total of 14 Pacific Island countries came together.

That meeting explicitly recognised the new and evolving challenges being presented to our region by the convergence of geopolitics, organised crime and corruption in our region. Addressing these challenges will require new levels of domestic and international cooperation and an increased level of vigilance from the reporting entities.

I would like to express my gratitude to the members of the NCC on AML/CTF for their contribution to the safety and security of PNG and the reporting entities for the continuous partnership in this journey.

On that note, I wish you all every success in your endeavours in 2023 as we combat financially-motivated crime in our beautiful country.

DIRECTOR'S MESSAGE



Mr. Wilson Onea
Acting Director
Financial Analysis & Supervision Unit

I am proud to present the FASU 2022 Annual Report.

This year has seen a further expansion of FASU's capabilities, reach and impact.

In February 2022, FASU obtained the Bank's approval to increase its staff capacity with an additional 21 new staff to add to the current staff capacity. This will bring the total staffing capacity of FASU to 45. Internal recruitments concluded in October 2022 with 10 more specialised positions to be recruited externally. The increase in staff numbers is in readiness for PNG's Mutual Evaluation set for March 2023 and will conclude in July 2024.

This year has seen FASU increase its engagements with an increased number of registered Reporting Entities. As at 31 December 2022, FASU registered 195 reporting entities which comprise of 77 FI and 118 DNFBPs. During the year, FASU conducted one on-site and continues off-site work on Reporting Entities that have already been inspected including others not inspected.

FASU also successfully hosted the inaugural Pacific Financial Intelligence Community (PFIC) Plenary meeting. PFIC is Co-chaired by FASU and AUSTRAC and brought together Financial Intelligence Units (FIUs) from 14 countries within the Pacific region including Australia and New Zealand. This meeting advanced discussions on operational and strategic priorities, opportunities and challenges, and built trust and strengthened collaboration amongst the FIUs in the Pacific region.

This year also saw a significant expansion of FASU's strategic intelligence capabilities through the Quarterly Strategic Analysis Report (QSAR) project. The QSAR draws together intelligence from multiple sources and has provided FASU and partner agencies a better understanding of the strategic environment in which PNG operates.

In late 2022, FASU commenced a process to provide strategic intelligence to the commercial banks. This targeted strategic analysis is expected to support financial institutions to better predict and respond to trends in financial crime(s) in PNG.

I look forward to your continued cooperation and collaboration as we step into PNG's Mutual Evaluation come 2023 to demonstrate PNG's compliance with the FATF international standards but most importantly, its effectiveness in combatting ML/TF/PF risks in order to protect the integrity of PNG's financial system.

God Bless!

1. GOVERNANCE STRUCTURE

FASU is accountable to the people of PNG through the fulfilment of its mandate under *the Anti-Money Laundering and Counter Terrorist Financing Act 2015* (herein referred to as “the Act”). FASU’s establishment gives rise to national and international obligations to detect, deter, disrupt and prevent financially-motivated crimes, terrorism, and proliferating financing thereby boosting investor confidence in the economy, reducing lawlessness and maintaining the integrity of PNG’s financial system.

1.1 Director of FASU

Section 62 of the Act specifies that the Director of FASU is an officer of the Bank of PNG in accordance with the *Central Banking Act 2000*. Hence, the functions and powers of FASU are vested in the Director.

The Director is appointed by the Governor of the Bank of PNG and may do so in consultation with the Commissioner of Police and the Departmental Head of the department responsible for national justice administration which is Department of Justice and Attorney General (DJAG).

The Director can be dismissed from official duties by the Governor of the Bank of PNG, in limited circumstances and in consultation with the Commissioner of Police and the Secretary for DJAG. The circumstances under which the Director may be dismissed are articulated in Section 65 of the Act.

1.2 Independence of FASU

Section 61 of the Act establishes FASU as an operationally independent unit within the Bank of PNG. FASU can institute proceedings on behalf of the Bank of PNG for the purpose of the Act.

FASU is comprised of the Director and Officers. Pursuant to Sections 62 and 67 of the Act, both the Director and Officers of FASU are officers of the Bank of PNG in accordance with the *Central Banking Act 2000*.

The Director is responsible for exercising the functions and powers of FASU to deliver FASU’s mandate. Section 69(2) of the Act provides operational independence in the exercise of these functions and powers. Officers of FASU are at all times solely under the operational direction and control of the Director in performing their duties.

FASU is protected from civil or criminal liability, action, claim or demand for anything done or omitted to be done in good faith in the performance of the functions, duties and powers under Section 71 of this Act.

1.3 Accountability to the Governor

FASU is administratively accountable to the Governor of the Bank of PNG. In addition to the production of annual reports, the Director provides operational reports annually, and board papers quarterly, to the Governor and the Board of the Bank of PNG for administrative purposes.

The Bank of PNG provides resourcing and budgeting for the operations of FASU. The Governor of the Bank of PNG approves for recruitment, training and travels for FASU Director and its Officers through the Bank’s internal processes.

1.4 National Coordinating Committee on AML/CTF

The National Coordinating Committee (NCC) on AML/CTF was established by the National Executive Council (NEC) (Decision No: NG 150/2012) on 13 December 2012 with fifteen (15) initial member agencies. To date, the number of agencies has increased to 21 members.

The Governor of the Bank of PNG and the Secretary of DJAG are Co-chairs to the NCC on AML/CTF with FASU and DJAG officers acting as Secretariat to the committee.

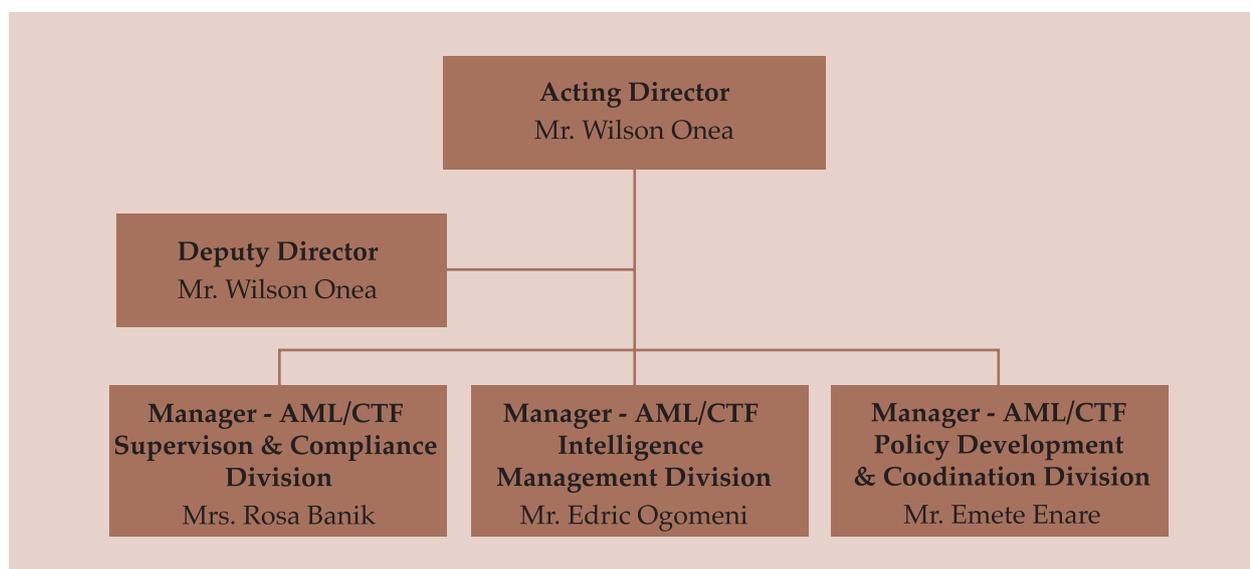
The NCC on AML/CTF maintains a Technical Working Group (TWG) consisting of technical officers from the NCC member agencies. The TWG is responsible for the implementation of NCC endorsed initiatives. NCC and TWG members meet quarterly every year.

2. FASU’s ROLES AND RESPONSIBILITIES

FASU’s primary role is to protect the people of PNG from the harm caused by financially-motivated crimes such as corruption, tax evasion and illegal logging and fishing. FASU fulfils this role by pro-actively detecting, disrupting, deterring and preventing the money laundering associated with such offences.

FASU fulfils these roles by monitoring and enforcing compliance with the AML/CTF Act - an Act “which enables the Government of Papua New Guinea to detect and deter money laundering and terrorist financing”. ¹FASU’s functions are divided into three (3) divisions, as indicated in the structure below.

Figure 1: FASU Structure



FASU currently has 38 staff which comprise of: Executives (2); Middle management (3); Operational (23) and Admin and Support (10).

¹Preamble to the AML/CTF Act 2015

2.1 Intelligence Management Division

The Intelligence Management Division (IMD) of FASU collects, analyses and disseminates a range of information and intelligence concerning potential financial crime related to money laundering, terrorist financing and proliferation financing pursuant to section 72(2)(a) of the AML/CTF Act.

The information collected includes Suspicious Matter Reports (SMR); Threshold Transaction Reports (TTR); and International Electronic Funds Transfer Reports (IEFTR) and other, open-source information. The IMD analyses this information and produces intelligence products (IP) or Intelligence Reports (IR) which are disseminated to counterpart agencies. These disseminations are made through the various information exchange arrangements FASU has established both domestically and internationally.

The IMD is FASU's point of contact for information exchange related to intelligence receipt and dissemination. The division is also responsible for developing risk assessments; strategic analysis reports; and typology reports in relation to money laundering and terrorist financing and proliferation financing risks.

IMD provides internal dissemination to SCD based on the 2017 NRA to assist with intelligent led supervision activities.

The division collaborates with other divisions within FASU and the Bank of PNG to raise awareness on money laundering, terrorist financing and proliferation financing.

2.2 Supervision and Compliance Division

The Supervision and Compliance Division's (SCD) primary role is to monitor and enforce compliance with the Act. In other words, it performs the role of Supervisor for AML/CTF purposes across all registered FIs and DNFBPs.

The SCD applies a risk based approach that is driven by intelligence using a Risk Rating Tool in its supervisory efforts. It also coordinates with other regulatory authorities such as AUSTRAC, Reserve Bank of New Zealand, Department of Internal Affairs - New Zealand and with other AML/CTF supervisors within the Pacific for the purposes of supervising FIs and DNFBPs within the region.

SCD also conduct onsite and off-site supervision activities and risk assessments. The division collaborates with other divisions within FASU and the Bank of PNG to raise awareness on money laundering, terrorist financing and proliferation financing risks.

2.3 Policy Development and Coordination Division

The Policy Development and Coordination Division's (PDCD) primary role is to give effect to the AML/CTF Act through the development and publication of regulations; compliance rules and guidance notes. The division is also responsible for the production of annual reports, operational reports, board reports, risk assessments and other reports required by management from time to time.

The division is also responsible for the development of FASU's internal Standard Operating Procedures (SOPs) and assisting other partner agencies in developing their policies and procedures, coordinating the NCC and TWG meetings and agenda, coordinating with donors and partners' events and meetings to ensure the events are well managed successfully.

Development, evaluation and monitoring of the NSP and FASU strategy is also the responsibility of

the division. The division acts as the first point of contact for other agencies given the role it plays as Secretariat to the NCC. It also coordinate awareness and information sessions with reporting entities, civil societies and NCC agencies to inform them of the national AML/CTF framework and strategy.

3. FUNCTIONS AND POWERS OF FASU

3.1 Function of FASU that are set out in the Act

Section 72 of the Act provides for FASU's functions. These functions are to:

- carry out financial intelligence and analysis concerning suspected money laundering and associated predicate offences, terrorist financing and proceeds of crime; and
- monitor and enforce compliance with the Act; and
- receive, request, collect, analyse and disseminate reports or other relevant information concerning suspected money laundering and associated predicate offences, terrorist financing and proceeds of crime; and
- develop risk assessments and typology reports in relation to, and raise awareness of, money laundering and terrorist financing and obligations on FI and DNFBPs under the Act; and
- co-operate with domestic agencies and regulatory authorities and foreign counterpart agencies to monitor and assess the risk of money laundering and terrorist financing; and
- ensure the effective implementation of the Act; and
- supervise FI and DNFBPs and enforce compliance for the purpose of the Act, ; and
- co-ordinate with other regulatory authorities for the purpose of supervising FI and DNFBPs in enforcing compliance with the obligations under the Act; and
- produce AML/CTF compliance rules to assist FI and DNFBPs to comply with their obligations under the Act.

3.2 Enforcement Powers of FASU

FASU has a range of enforcement powers that allow it to execute its duties. These include:

- The power to receive reports and request information from reporting entities under Sections 79 and 81 (either as a one-off request or as a continuing obligation to keep FASU informed);
- The power to request information from other bodies under Section 80;
- The power to conduct on-site inspections under Sections 85 & 86;
- The power to conducted on-site inspections pursuant to a search warrant under Section 87;
- The power to compel the production of documents and answers to questions during a warrant under section 93;
- The power to apply criminal penalties for a wide range of offences under the Act.

FASU may also do one or more of the following, where it has reasonable grounds to believe that a financial institution or DNFBP has failed to comply with an obligation under the Act:

- issue a formal warning under Section 100;
- issue an infringement notice under Section 101;
- accept an enforceable undertaking under Section 102;
- seek a performance or restraining injunction under Sections 104 and 105 respectively; and
- publish notices of non-compliance under Section 106.

FASU does not conduct criminal investigations. Its role is to focus on the financial aspect of criminal conduct and report the matter to competent authorities to investigate. However, it does provide investigative support to competent authorities as and when required.

3.3 Offences and Penalties

Where there are reasonable grounds to believe that a financial institution or DNFBP has failed to comply with the Act, FASU has a range of civil and criminal enforcement options including criminal penalties for such offences.

Table 1: Sectional references for offences and penalties relating to any compliance breach of the Act.

Section	Offence	Penalty
14	Failure to comply with risk assessment, AML/CTF program and appointment of external auditor obligations	A fine not exceeding - (a) K500,000.00 or imprisonment for a term not exceeding five years or both for a natural person; or (b) K1,000,000 for a body corporate.
36	Failure to comply with due diligence requirements	A fine not exceeding - (a) K500,000.00 or imprisonment for a term not exceeding five years or both for a natural person; or (b) K1,000,000 for a body corporate.
37	Opening or operating anonymous accounts and accounts in false names	A fine not exceeding - (a) K500,000.00 or imprisonment for a term not exceeding five years or both for a natural person; or (b) K1,000,000 for a body corporate.
38	Establishing or continuing a business relationship involving a shell bank entity	A fine not exceeding - (a) K500,000.00 or imprisonment for a term not exceeding five years or both for a natural person; or (b) K1,000,000 for a body corporate.
41	Intentionally fail to make a suspicious matter report	A fine not exceeding - (a) K500,000.00 or imprisonment for a term not exceeding five years or both for a natural person; or (b) K1,000,000 for a body corporate.
41	Recklessly fail to make a suspicious matter report	A fine not exceeding - (a) K250,000.00 or imprisonment for a term not exceeding three years or both for a natural person; or (b) K500,000 for a body corporate.

Section	Offence	Penalty
42	Providing false or misleading report or information with respect to Division 2 obligations - furnish information which the person knows to be false or misleading	A fine not exceeding - (a) K500,000.00 or imprisonment for a term not exceeding five years or both for a natural person; or (b) K1,000,000 for a body corporate.
46	Structuring offence - conducts two or more transactions by whatever means that are equivalent to K20,000.00 or more; and conducts the transactions for the dominant purpose of ensuring, or attempting to ensure, that no report in relation to the transactions would need to be made under Section 39	A fine not exceeding - (a) K500,000.00 or imprisonment for a term not exceeding five years or both for a natural person; or (b) K1,000,000 for a body corporate.
51	Failure to comply with record keeping requirements - intentionally engage in conduct that contravenes a requirement of Division 4 of Part II of the Act	A fine not exceeding - (a) K500,000.00 or imprisonment for a term not exceeding five years or both for a natural person; or (b) K1,000,000 for a body corporate.
55	Failure to comply with requirements relating to foreign branches and majority-owned foreign subsidiaries	A fine not exceeding - (a) K500,000.00 or imprisonment for a term not exceeding five years or both for a natural person; or (b) K1,000,000 for a body corporate.
59	Obligations on FI and DNFBPs to disclose beneficial ownership information	A fine not exceeding - (a) K500,000.00 or imprisonment for a term not exceeding five years or both for a natural person; or (b) K1,000,000 for a body corporate.
84	Failure to comply with a request for documents or information	A fine not exceeding -(a) K250,000.00 or imprisonment for a term not exceeding three years or both for a natural person; or (b) K500,000.00 for a body corporate.
92	Offence of obstructing the execution of a warrant and tampering with or destroying records	A fine not exceeding - (a) K250,000.00 or imprisonment for a term not exceeding three years or both for a natural person; or (b) K500,000.00 for a body corporate.
93	Refusal to answer questions or produce records during the execution of a search warrant	A fine not exceeding - (a) K250,000.00 or imprisonment for a term not exceeding three years or both for a natural person; or (b) K500,000.00 for a body corporate.

Source: Anti-Money Laundering and Counter Terrorist Financing Act 2015

FASU continues to conduct awareness, training and education programs to assist FI and DNFBPs to comply with their obligations under the Act. The awareness are also done to general public and schools as well.

4. AML/CTF INTELLIGENCE MANAGEMENT

Financial intelligence plays an important role in the detection, deterrence and prevention of money laundering (ML), terrorist financing (TF) and the evolving threat of proliferation financing (PF) of weapons of mass destruction WMD. FASU provides valuable financial intelligence to support the operations of domestic and international law enforcement agencies and competent authorities, in their investigations, prosecutions, and asset recovery of ML/TF/PF and related criminal activities.

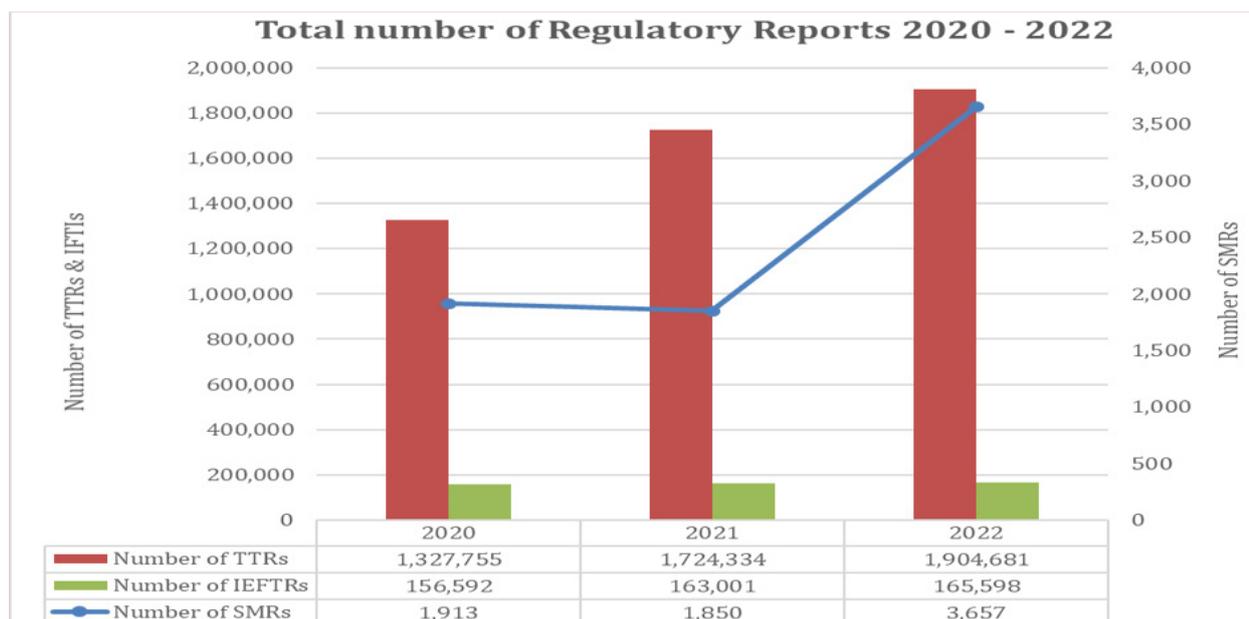
4.1 Collection and Gathering of Financial Intelligence

As a core mandate of an FIU and pursuant Division 3, Sections 39 to 41 of the Act, FASU is mandated to collect reports from Reporting Entities. Such reports include the SMR; TTR and IEFTR. This is consistent with the requirements of FATF Recommendation 20 and 29 relating to suspicious transactions and FIU respectively.

FASU utilises these reports as well as consulting other open and close sources to gather information and build up intelligence to disseminate to LEAs and competent authorities. The intelligence generated internally are also used to share with the SCD to inform decision making process to commence onsite supervision activities.

In 2022, the volume of SMRs FASU received increased significantly by 98 percent. The increase in SMRs was contrasted by the 11 percent increase in TTRs and 2 percent increase in IEFTR collected by FASU. Below is a chart showing the total number of reports over the past three (3) years.

Figure– 2 - Total number of Regulatory Reports collected from 2020 - 2022



Source: Financial Analysis and Supervision Unit

The number of IEFTR and TTR have reportedly increased slightly in the current reporting year compared to the previous year. The reporting of SMRs increased significantly, this was attributed to the increase in quality of reporting as a result of feedback through Strategic Analysis Reports, meetings with FIs and awareness programs in POM and around the PNG.

Although majority of the SMRs reported are mainly from the FI, DNFBPs have started to submit SMRs. During 2022, FASU received 1 SMR from a DNFBP.

FASU also collects other information, including ‘tip-offs’, which it processes and disseminates to LEA domestically and counterpart FIUs internationally. FASU collects some of this information by exercising powers under Sections 80 and 81 of the Act.

FASU now disseminates three primary types of product: Intelligence Reports, Bulk SMR and Strategic Analysis Reports.

4.2 International Exchange of Information and Intelligence

During the last three years, FASU disseminated a total of 17 spontaneous report to foreign counterpart FIUs and received 18 Intelligence Reports (IR) from foreign counterpart FIUs. These IRs are all processed and responded to in a timely manner.

FASU also received 16 requests for information and made 9 request for information to a foreign counterpart FIU during the last three years.

Table 2: International information exchange with Counterpart Financial Intelligence Units from 2020 to 2022.

	2020	2021	2022	Total
Intelligence Report sent to Counterpart FIUs				
Spontaneous Dissemination sent to foreign FIUs	5	4	8	17
Spontaneous Dissemination received from foreign FIUs	7	6	5	18
Request for Information received from Counterpart FIU				
Requests made by FASU to other FIUs	3	5	1	9
Requests received by FASU	5	8	3	16

Source: Financial Analysis and Supervision Unit

The total number of spontaneous disseminations sent to counterpart FIU increased during 2022 and the spontaneous dissemination received declined slightly. Further, the international information exchange requests made to and collected from other counterpart FIU decreased during the year compared to the previous years.

These receipts, and requests, were made through existing MOU arrangements and the Egmont Secure Website (ESW). All requests were attended to promptly. FASU will continue to improve on facilitating and processing information requests.

4.3 Domestic Exchange of Information and Intelligence

During the year, FASU disseminated a total of 23 Intelligence Reports to domestic agencies. FASU did not make any requests to domestic agencies for information nor did it sent out any Bulk SMRs. However, FASU received 1 request for information from domestic agencies. The number of Intelligence Reports disseminated is moderate compared to previous years.

Table 3: Three-year comparison of domestic dissemination of Intelligence Report and Raw Bulk ² SMR

	2022	2021	2020	Total
Domestic Dissemination Reports				
Intelligence Reports	23	10	82	115
Royal PNG Constabulary	8	3	33	44
Internal Revenue Commission	8	2	30	40
PNG Customs Services	1	1	0	2
Ombudsman Commission	4	3	13	20
Others	2	1	6	9
Bulk SMRs	-	-	51	51
Royal PNG Constabulary	-	-	19	19
Internal Revenue Commission	-	-	22	22
Ombudsman Commission	-	-	10	10
Others	-	-	-	0

Source: Financial Analysis and Supervision Unit

FASU made 9 information requests to FI during the year. The number of such requests decreased compared to previous years. In previous years, FASU make similar requests to other self-style regulatory bodies (SRBs) but none of such requests were made in this reporting year.

Table 4: Five-year comparison domestic request for information from Law Enforcement Agencies 2018 - 2022

	2022	2021	2020	Total
Domestic Request for Information issued to LEAs and domestic partners by FASU				
Request for Information by FASU	9	39	141	189
Request made to Reporting Entities	9	39	135	183
Request made to other Bodies	0	0	6	6
Request for Information from FASU by LEAs and domestic partners				
Request for information received from LEA and domestic partner agencies	1	8	24	33

Source: Financial Analysis and Supervision Unit

Over the last three (3) years, FASU has made 320 Section 81 requests to Reporting Entities. FASU made 9 requests to other domestic entities. The information collected was to devise FASU's regulatory approaches and intelligence sharing with LEA and foreign FIUs.

The number of requests received by FASU from other domestic agencies declined during the year. FASU received 1 request from domestic partner agencies in this reporting period. This decline occurred despite concerted efforts by FASU to expand cooperation and coordination with domestic partner agencies. Over the last five years, FASU collected 82 requests from LEA and other domestic partners.

²For Raw Bulk Disseminations – it is important to note that this includes SMRs that FASU has identified to contain sufficient evidence of an offence been committed and may be of interest to law enforcement agencies to initiate an investigation. The SMRs that are sent to other agencies (IRC or OC) are also sent to RPNCG for further investigations for purposes of money laundering and terrorist financing and other predicate offences.

Most of the requests for information received by FASU related to investigations being conducted by domestic LEA. FASU is slowly gaining recognition within PNG and its agencies and the public are slowly becoming aware of its roles and functions as the central agency for financial intelligence. FASU anticipates an increased reliance on its resources to assist with investigative and regulatory actions against financial crimes in the next reporting period.

4.4 Strategic Analysis Reporting

FASU delivered its first quarterly Strategic Analysis Report (SAR) for January-March 2022. The SAR is a result of the collation and analysis of all SMR and TTR for the quarter. The report was disseminated to LEA and the commercial banks in August 2022 and will be made publicly available.

FASU also prepared and disseminated the first targeted SAR on SMR for BSP. This will be similarly pursued with the other commercial banks.

5. AML/CTF SUPERVISION AND COMPLIANCE

The SCD supervises all FI and DNFBS³ under the Act.

The SCD is responsible for overseeing, monitoring, and enforcing compliance on Reporting Entities to ensure they implement adequate measures to enable them to deter, detect, and report money laundering, terrorist financing and proliferation financing activities.

5.1 AML/CTF Supervision & Compliance Activities

For the purposes of supervising the FI and DNFBS, and to reinforce cooperation and collaboration, domestically and internationally, the SCD works with other regulatory authorities.

The SCD conducts on-site inspections on FASU registered Reporting Entities using the powers provided under Part VI of the Act. Over the period of five (5) years, FASU conducted 22 AML/CTF on-site supervision activities plus established the physical address of a reporting entity that was recently licensed. Only one onsite inspection was conducted in 2022 from the 22 onsite inspections done so far.

SCD takes an intelligence-led, risk-based approach when planning and conducting on-site inspections. This is also informed by the 2017 NRA. Further information is outlined below in relation to the on-site inspection conducted this year.

Table 5: AML/CTF on-site supervision activities

No.	DATE (MONTHS)	REPORTING ENTITY	ON-SITE INSPECTION	PARTIES INVOLVED
1	June 2022	Westpac Bank PNG Limited	Intelligence-led, Targeted inspection on ECDD	FASU
2	November 2022	Kwik Moni Limited	Established physical address as part of Registration process/assessment	FASU

Source: Financial Analysis and Supervision Unit

Whilst only one onsite inspection was done during the year, the SCD continued with its off-site supervision activities during the year. These off-sites are conducted primarily through desktop reviews based on a range of information collected during on-site inspections, open-source intelligence and reports collected under the various provisions of the Act. Some of these off-site activities includes responses between FASU and a reporting entity after the conduct of an actual on-site inspection or through reviews of AML/CTF policies and procedures.

Off-site inspections on ten (10) reporting entities were selected based on FASU's risk-rating of the Reporting Entities representing different sectors of FI and DNFBPs requesting their AML/CTF Program and Risk Assessment for desktop review.

Table 6: AML/CTF off-site supervision activities in 2022

Date (Months)	Reporting Entity	Sector	Type of Activity
November 2022	Alpha Insurance Limited	Insurance	Review of the reporting entity's AML/CTF Program and Risk Assessment
November 2022	Capital Insurance Group	Insurance	Review of the reporting entity's AML/CTF Program and Risk Assessment
November 2022	Century 21 Siule Real Estate	Real Estate	Review of the reporting entity's AML/CTF Program and Risk Assessment
November 2022	DFK Mayberry	Accounting Firm	Review of the reporting entity's AML/CTF Program and Risk Assessment
November	KPMG PNG	Accounting Firm	Review of the reporting entity's AML/CTF 2022 Program and Risk Assessment
November 2022	Nambawan Super Limited	Superannuation Entity's	Review of the reporting AML/CTF Program and Risk Assessment
November 2022	Strickland real Estate	Real Estate	Review of the reporting entity's AML/CTF Program and Risk Assessment
November 2022	Teachers Savings and Society Limited	Savings and Loan Society	Review of the reporting entity's AML/CTF Program and Risk Assessment
November 2022	TISA Community Finance	Finance company	Review of the reporting entity's AML/CTF Program and Risk Assessment
November 2022	Yumi Yet Real Estate	Real Estate	Review of the reporting entity's AML/CTF Program and Risk Assessment

Source: Financial Analysis and Supervision Unit

5.2 Remedial actions taken by Reporting Entities

Following FASU's first regulatory and enforcement action taken in July 2021, the work involving the appointment of the External Auditor to examine BSP's AML/CTF program concluded at the second quarter of 2022.

Given that BSP is a systemically important institution in PNG, all of SCD's resources were

significantly targeted towards following through with BSP's progress according to Section 10 of the AML/CTF Act.

Nonetheless, during 2022, FASU received 3 self-reports of non-compliance with the AML/CTF Act by various Reporting Entities. FASU has assessed these reports and will work with the entities involved to ensure the issues are resolved in a timely manner. FASU expects that there will be no repetitive behaviour of self-reporting of the same non-compliance in nature from those Reporting Entities.

The reporting entities that are captured by FASU's supervisory mandate for the purposes of the AML/CTF Act include FI and DNFBPs. FASU's approach to the supervision of these entities is following FATF Recommendations⁴ 26 and 28, which cover the supervision of FI and DNFBPs.

Table 7: Reporting Entities covered by the AML/CTF Act

Financial Institutions		Designated Non-Financial Business or Professions	
i	Banks	i.	Real Estate Agents
ii	Micro banks & Microfinance Institutions	ii	Motor Vehicle Dealers
iii	Savings and Loans Societies	iii	Trust or Company Service Providers
iv	Foreign Subsidiaries of Banks	iv	Law firms
v	Credit Institutions	v	Notary Public or Other Independent Legal Profession
vi	Insurance Companies, Brokers & Underwriters	vi	Accounting firms
vii	Investment Banks and Firms	vii	Precious Stones/Metals Dealers
viii	Mortgage Companies	viii	Casino
ix	Superannuation Funds		
x	FX Bureau or Money Changers		

Source: Financial Analysis and Supervision Unit

5.3 Fit-and-Proper Assessments

The SCD supported the Bank of PNG's Financial System Stability Group (FSSG) in conducting fit and proper assessments on candidates occupying AML/CTF roles or senior management positions pursuant to Section 60 of the Act.

FASU completed three (3) fit and proper assessments during the year 2022 to support the FSSG fit and proper assessments on individuals. In addition, FASU completed one (1) pre-licensing fit and proper assessment on one entity during the year with the recommendation to not grant a licence.

⁴FATF Recommendations 26 and 28 makes reference to the regulation and supervision of FIs and DNFBPs respectively to prevent criminals from controlling and managing these reporting entities.

6. AML/CTF POLICY DEVELOPMENT & COORDINATION

6.1 Policy Development and Coordination

The primary role of the PDCD is the development of policies and rules that are necessary for implementing the Act. Other activities undertaken by the PDCD include the registration of reporting entities, coordinating National Coordinating Committee on AML/CTF meetings, developing compliance rules and guidance and coordinating domestic and international engagements.

Prior to September 2022, the Policy Development and Coordination Division had only three (3) staff. After completion of internal recruitment from April – September 2022, the Policy Development and Coordination Division has nine (9) officers which comprises of a Manager, three (3) Senior Analysts, two (2) Analysts, two (2) National Coordinating Committee Secretariat Support Officers and a divisional Secretary.

Critical to the roles performed during the year was the preparation of PNG's Mutual Evaluation which is an essential component of ensuring effective implementation of FATF international standards in the country.

6.2 Development of Compliance Rules, Directives and Guidance

Compliance rules, directives and guidance are essential to 'fill in the gaps' in the Act and other relevant acts and to operationalise the functions of FASU. The pre-Mutual Evaluation review conducted in 2019 identified some deficiencies that may be addressed through the issuance of Compliance Rules or Guidance Notes.

The expansion of FASU's regulatory action has also identified a number of deficiencies that could be addressed through Compliance Rules or Guidance Notes.

FASU is working with DJAG, AUSTRAC and AGD to develop and issue Compliance Rules, Regulations or Guidance Notes to address deficiencies identified in the gap analysis. FASU has not issued new guidance or compliance rules over the last 3 years.

6.3 Registration of Reporting Entities

Registration of reporting entities under Section 57 of the Act is an ongoing process. Certificates were issued to those reporting entities that meet the definition of financial institution or DNFBP under the Act. As at 31 December 2022, the number of entities registered with FASU is 205. These comprise of 76 FI and 126 DNFBPs.

Table 8: Number of Financial Institutions and DNFBPs registered with FASU as at 31 December 2022

Financial Institutions	Tally	DNFBPs	Tally
Banks & Micro banks	6	Accounting Firms	28
Finance Companies	11	Dealers in Precious Stones / Metals	5
Savings & Loan Societies	11	Motor Vehicle Dealers	4
Superannuation Sector	9	Law firms	68
Securities Sector	3	Real Estate	21
Money Changers	5		
Life Insurance Sector	3		
General Insurance Sector	26		
TOTAL	76	TOTAL	126

Source: Financial Analysis and Supervision Unit

During the year, 28 additional reporting entities registered with FASU. This is attributed to the publication by FASU of the names of registered entities in the daily papers.

In addition to this, a number of entities were referred to FASU by other FI to register pursuant to section 57 of the Act. Registering with FASU is by no means an indication that registered reporting entities are AML/CTF compliant. Registering with FASU is a recognition that a reporting entity is subject to, and required to comply with the AML/CTF obligations.

7. NATIONAL RISK ASSESSMENT ON AML/CTF

7.1 Risk Assessments

FATF Recommendation 1 requires countries to identify, assess and understand the money laundering and terrorist financing risks that the country faces, and take action to ensure those risks are addressed.

FASU has drafted risk assessments on Forestry; Virtual Assets (VA) & Virtual Asset Service Providers (VASP); Terrorist Financing through Non-Profit Organisations (NPO); High-risk Jurisdictions and Trade-Based Money Laundering (TBML). Below are details on the status of those risk assessments.

Table 9: Types of Risk Assessments in-development and developed in the last five-years

Risk Assessment	Scope	Status
Forestry Sector	Money laundering associated with illegal logging	Developed with TA from UNODC pending PNG Forestry Authority clearance before publishing.
VASPs	Money laundering related to Virtual Assets and Virtual Asset Service Providers	Assessment completed and report in progress.
Non-Profit Organisations	Terrorist financing through the Non-Profit Sector	Developed with the assistance from AUSTRAC, IPA and DJAG. Published on 7th November 2022
High-Risk Jurisdictions	Identification of high-risk Jurisdictions as required by S26(1) (a) of the Act	In progress
Trade-based Money Laundering	Identification of methods of TBML that may be occurring within and through PNG	In progress

Source: Financial Analysis and Supervision Unit

8. NATIONAL COORDINATING COMMITTEE

8.1 National Coordinating Committee on AML/CTF

The NCC continues to effectively coordinate PNG’s AML/CTF activities at both the national and technical level. The NCC in its Meeting No. 01/2022 on 18 March 2022, endorsed three observer agencies as members of the NCC. The three agencies are namely, National Maritime Safety Authority (NMSA), National Narcotics Bureau (NNB) and Ombudsman Commission of PNG (OCPNG). This brings the number of NCC member agencies to 21.

The NCC Secretariat comprising of officers from the BPNG and DJAG continues to provide secretariat support to the NCC and the TWG. This support encapsulates among other things, the following:

- a) *Managing the AML/CTF NCC and TWG meetings, trainings, workshops etc. calendar;*
- b) *Coordinating and providing trainings (internal and external) to the NCC members on aspects of AML/CTF;*
- c) *Providing the necessary legal reform assistance to agencies on aspects of AML/CTF and other related issues;*
- d) *Carrying out legal reform pertaining to AML/CTF as and where necessary;*
- e) *Implementing the resolutions adopted at the TWG and NCC meetings tasked to the NCC Secretariat to perform;*
- f) *Overall co-ordination of NCC and TWG implementation of the FATF Recommendations on AML/CTF*

The establishment of the NCC is in line with FATF Recommendation 2 relating to national cooperation and coordination.

The NCC met on 3 occasions during the year, in addition to a special meeting between NCC Secretariat and the Co-chairs.

Table 10: National Coordinating Committee Meetings in 2022

Date	Meeting	Venue
16 th – 20 th February 2022	NCC Secretariat and the Co-chairs DJAG and BPNG Special meeting	Loloata Island Resort
1 17 th – 18 th March 2022	National Coordinating Committee Meeting No.1/2022	Alotau, Milne Bay
2 9 th - 10 th June 2022	National Coordinating Committee Meeting No. 2/2022	Loloata Island Resort
3 5 th - 6 th October 2022	National Coordinating Committee Meeting No.3/2022	Vanimo, West Sepik Province (WSP)

Source: National Coordinating Committee Secretariat

The 21 state agencies that form the National Coordinating Committee on AML/CTF are;

1. Bank of Papua New Guinea
2. Department of Justice & Attorney General
3. Investment Promotion Authority
4. PNG Securities Commission
5. Department of Prime Minister & NEC
6. Department of Finance
7. Department of Treasury
8. Office of the Public Prosecutor
9. Royal PNG Constabulary
10. Internal Revenue Commission
11. PNG Customs Service
12. Department of Foreign Affairs & Trade
13. National Gaming & Control Board
14. Office of the Insurance Commissioner
15. PNG Immigration and Citizenship Authority
16. National Intelligence Organisation
17. National Fisheries Authority
18. PNG Forest Authority
19. The Ombudsman Commission
20. National Maritime Safety Authority
21. PNG National Narcotics Bureau

8.2 NCC Initiatives Undertaken

The NCC Secretariat team held a lockdown session from 16 – 19 February 2022 at Loloata Island Resort, Central Province to deliberate on actions that were raised in the NCC meetings held in 2021. The Secretariat team managed to have both Co-chairs attend the lockdown session to provide their insights into the discussions.

The Secretariat team also conducted a TWG workshop from 16th to 20th May 2022 at the Hilton Hotel, for all the TWG members to participate in developing the NSP for the next five (5) years 2023-2027. The Secretariat Team continue to hold one-on-one meetings with the member agencies of NCC to provide the needed guidance for the agencies to achieve their respective action items in the NSP 2017-2022 which connects to the implementation of the FATF Recommendations.

9. INTERNATIONAL OBLIGATIONS

9.1 Mutual Evaluation

As part of PNG's obligations as a member of the APG, PNG is required to undergo its second round of ME. During the ME review, PNG will be assessed on its technical compliance with the FATF's 40 Recommendations and the effectiveness criteria covering the 11 Immediate Outcomes (IOs).

During the virtual Mutual Evaluation Committee (MEC) APG Plenary Meeting in July 2022, PNG's second ME was rescheduled from November 2022 to March 2023. The deferral is due to PNG's National General Elections (NGE) in 2022.

The secretariat team continued to engage with the NCC agencies during the year to progress their action items. Most of the efforts were hindered by Covid-19 pandemic lockdowns, however; with some of the restrictions eased, the Secretariat continues to use opportunities to prepare agencies for the ME.

9.2 APG Reporting

PNG continue to providing status report to APG annually that summarises the recent AML/CTF implementation progress and attends APG Annual Plenary Meetings. In order to maintain its membership status, PNG continues to pay its membership subscription fees and participate in the initiatives led by APG/FATF and other international bodies.

10. CO-OPERATION – DOMESTIC AND INTERNATIONAL

FASU's information sharing efforts are consistent with the application of FATF Recommendations 2 and 40, in strengthening national and international coordination and cooperation and other forms of cooperation. Discussions continue with other domestic state agencies and international counter-parts on matters of mutual interest.

10.1 Domestic Co-operation

FASU continued to participate in domestic engagements during 2022. Below are some of the workshops and meetings held with domestic partner agencies, as well as training and education sessions held with schools, the general public and reporting entities.

Table 11: 2022 Domestic Engagements in Training/Workshops/Conferences

Dates/Venues	Trainings/Workshops/Conferences
6 th – 11 th February 2022	The Asset Recovery Unit (ARU) under the National Fraud and Anti-Corruption Directorate (NFACD) invited one FASU staff on an intelligence-gathering mission in Kokopo, East New Britain Province (ENBP). The mission was centered on a case relating to corruption and money laundering in the logging industry.
7 th March 2022	Two FASU Officers joined three DJAG Officers to conduct a one day training and awareness session on Proceeds of Crimes Act (Amendment) 2015 and Anti-Money Laundering and Counter Terrorist Financing Act 2015 to PNG Customs Services (PNGCS) operational officers and executives at Gateway Hotel, Port Moresby. Chief Commissioner and more than 20 PNGCS Officers were in attendance for Southern regional officers.
12 th April 2022	Two (2) FASU officers joined one (1) DJAG officer conducted a one-day training and awareness session on Proceeds of Crimes Act (Amendment) 2015 and Anti-Money Laundering and Counter Terrorist Financing Act 2015 delivered to PNGCS in Lae for Momase regional officers.
19 th April 2022	FASU officers successfully collaborated with officers from the PNGICSA, DJAG, and INTERPOL NCB within RPNGC on an INTERPOL Red Notice case involving a Chinese National being detained and deported back to China from PNG.
28 th April 2022	Two FASU Officers attended the launching of the upgraded Vessels Monitoring System (VMS) at the Crown Plaza Hotel, Port Moresby at the invitation of the NMSA.
29 th April 2022	One (1) FASU officer attended the first quarter Extractive Industry Transparency Initiative (EITI) Multi-Stakeholder Group (MSG) Meeting at the Treasury Building, Level 5, Waigani onto discussion progressive updates from the previous meetings to 2021 and the EITI Bill for consultation.
12 th May 2022	Seven (7) officers met with the IRC to discuss operational matters relating to tax and ongoing cases.
26 th May 2022	Two FASU officers attended and did a presentation to the Customs Business Consultative Forum at the Gateway Hotel, Port Moresby.

Dates/Venues	Trainings/Workshops/Conferences
30 th June 2022	Four (4) officers participated in the Rapid Assessment on Wildlife & Forest Crimes in the Pacific Islands. The assessment was conducted by the Conservation and Environment Protection Authority (CEPA) working in partnership with the UNODC to address wildlife crime in the Pacific region.
12 th - 15 th July 2022	FASU presented at the Training on Money Laundering and Asset Recovery for Judiciary in Port Moresby. This is an initiative of the NCC on AML/CTF which FASU coordinated with the Centre for Judicial Excellence (CJE) and sponsored by UNODC. A visiting Judge from United Kingdom facilitated this training. More than 30 Judges in PNG and Solomon Islands attended including Chief Justice and Deputy Chief Justice for PNG and Solomon Islands.
11 th August 2022	Two (2) FASU officers attended the Joint Agency Group (JAG) meeting held at the RPNGC Head Quarters, Konedobu, Port Moresby.
24 th - 26 th August 2022	Two (2) FASU officers attended the Anti-Corruption Training Workshop for Investigating and Prosecuting Cases of Corruption facilitated by DJAG and UNODC in Lae, Morobe Province.
7 th September 2022	One FASU officer attended and did a presentation to new recruits for PNG Customs Services (PNGCS) during their Core Skills Training in Lae, Morobe Province. The presentations were based on FASU's roles and responsibilities and the coordination and cooperation between FASU and PNGCS.
27 th September 2022	Three (3) officers attended the quarterly Private Sector Dialogue on Disruption of Financial Crimes related to Forestry Crimes facilitated by UNODC.
25 th November 2022	Two (2) officers attended the training on UN Security Council Resolution (SCR) 1373 (2001) and other sanction regimes in Kokopo, ENBP, funded and facilitated by UNODC.
30 th November 2022	FASU was invited by PNGCS to attend the launching of the Cross-border Movement of Currency and Valuables (CMCV) reporting forms at the Jacksons International Arrival Hall. This initiative is PNGCS action item that has been progressed with the support of FASU and DJAG. The launching indicated that CMCV forms will be disseminated to FASU for intelligence purposes.

Source: Financial Analysis and Supervision Unit

10.2 International Co-operation

Training and international engagements in 2022 were on hybrid mode. Some were attended virtually when others were attended in person given the challenges posed by Covid-19 when businesses are slowly transiting from virtual to in-person attendance.

Below are some of the initiatives that were attended to and undertaken by international partners and counterparts during the year.

Table 11: 2022 International Engagements in Trainings/Workshops/Conferences

Dates/Location	Trainings/Workshops/Conferences	Facilitators	Mode of Delivery
14 th -16 th February 2022.	One FASU officer joined as a panellist at the United Nations Commission on Crime Prevention and Criminal Justice (CCPCJ) Expert Discussions on Crimes that Affect the Environment.	UNODC	In-Person
17 th February 2022	The first PFIC meeting for 2022 was virtually conducted where updates were provided by PFIC FIU members on action items carried out since the last meeting. A new activity proposal titled <i>Tradecraft Tuesdays</i> was also presented at the meeting.	AUSTRAC	Virtual
9 th March 2022	One FASU officer spoke at the Association of Certified Anti-Money Laundering Specialists (ACAMS) Australasian Chapter Environmental Crimes Task Force forum on the Practises on disrupting the flow of funds for illegal logging funds.	ACAMS Australasian Chapter	In-Person
29 th March - 8 th April 2022	Six (6) officers attended AML/CTF Supervision of Banks training under the APG Virtual Training Series for 2022.	APG	Virtual
30 th March 2022	First Pacific AML/CFT Supervision Forum quarterly meeting for 2022	NZ DIA and RBNZ	Virtual
4 th May 2022	The second PFIC meeting for 2022 was attended virtually by one FASU officer to discuss updates and planned activities for 2022.	AUSTRAC	In-Person
10 th - 12 th May 2022	Four (4) officers participated in the country visit for the review of the United Nations Convention Against Corruption (UNCAC). FASU provided the facilities to host this international delegates doing the country review.	UNODC	In-Person
13 th May 2022	Five (5) officers participated in a virtual meeting with INTERPOL officers on two separate cases. On the same day 2 officers from FASU had virtual meeting with UNODC on the Forestry Sectoral Risk Assessment. Work to progress these matters is ongoing.	UNODC and INTERPOL	In-Person
24 th May 2022	Training on Implementation of FATF Standards for VAs/VASPs under the APG Virtual Training Series for 2022.	APG	Virtual

Dates/Location	Trainings/Workshops/Conferences	Facilitators	Mode of Delivery
24 th - 27 th May 2022	Two (2) officers attended two separate meetings with INTERPOL and UNODC in Bangkok, Thailand to discuss operational matters being progressed under the LEAP program related to investigations in the forestry sector.	UNODC and INTERPOL	In-Person
6 th July 2022	Two (2) officers participated virtually in the second Pacific AML / CTF Supervisors Forum. This forum comprises of AML / CTF supervisors / FIUs from the Pacific region, including Australia and New Zealand. The AML / CTF Supervisors Forum was previously led by the Reserve Bank of New Zealand (RBNZ) and now by the New Zealand Department of Internal Affairs (DIA) who are New Zealand's primary DNFBP regulator. The forum is held on a quarterly basis.	NZ DIA and Virtual	Virtual
27 th July 2022	FASU signed a MOU with Anti-Money Laundering Intelligence Office (AMLIO) of Laos PDR for purpose of information sharing and collaboration, during the APG Annual Meeting in Kuala Lumpur, Malaysia.	FASU and AMLIO	In-Person
12 th -16 th September 2022	Two (2) officers attended the Open-Source Investigation and Intelligence Analysis on Wildlife and Forestry Crime training course held in Honiara, Solomon Islands.	UNODC	In-person
27 th September 2022	Four (4) officers attended the 3 rd Pacific AML / CFT Supervision Forum quarterly meeting for 2022	NZ DIA and RBNZ	Virtual
11 th -21 st October 2022	Four (4) officers attended the Pacific AML / CTF Supervision of Remittance Providers Intermediate Workshop.	APG	Virtual
16 th -17 th November 2022	FASU hosted the inaugural in-person PFIC Plenary meeting at the APEC House, Port Moresby.	AUSTRAC, Fiji FIU, NZ FIU	In-Person
5 th -7 th December 2022	FASU hosted delegates from the APG Secretariat. The APG delegates were in-country for 3-days engaged with NCC agencies, reporting entities and Government Ministers.	DJAG and FASU	In-Person

Source: Financial Analysis and Supervision Unit

10.3 Memorandum of Understanding (MOU)

Section 97 of the Act enables FASU to enter into agreements to share confidential information with foreign counterpart agencies. Section 80(2) of the Act also enables FASU to enter into agreements with domestic agencies for purposes of information sharing and usage.

On 27th July 2022, FASU signed a MOU with the Anti-Money Laundering Intelligence Office (AMLIO) of Laos People's Democratic Republic .

FASU has initiate discussions with Department of Foreign Affairs (DFA), Sanctions Secretariat within the Department of Prime Minister and National Executive Council (PMNEC), Department of Lands and Physical Planning (DLPP), Auditor Generals Office (AGO), Conservation and Environment Protection Authority (CEPA), Department of Finance (DOF) and Department of Treasury (DOT) to sign MOUs which are currently pending to enhance domestic cooperation and coordination. To date, FASU has signed 30 MOUs, 15 international and 15 domestic.

11. CAPACITY BUILDING INITIATIVES

FASU continued to engage with a range of stakeholders in relation to the expansion of FASU's operational capacity. The AUSTRAC, DHA, UNODC, INTERPOL, and APG continue to provide capacity building programs to FASU and other line agencies in PNG in 2021. Although travel bans have been uplifted, most of these capacity building programs were hosted and attended virtually and only a hand full attended in-person.

11.1 Pacific Financial Intelligence Community

The Pacific Financial Intelligence Community (PFIC) initiative which was developed in 2020 by the founding members AUSTRAC, FASU, Fiji FIU and New Zealand FIU and attended virtual meetings quarterly continues to grow in membership.

FASU successfully hosted the inaugural PFIC Plenary meeting at the APEC House, Port Moresby, Papua New Guinea from 16th - 17th November 2022. PFIC is Co-chaired by BPNG's FASU Acting Director, Mr Wilson Onea and AUSTRAC Deputy CEO Intelligence, Dr John Moss. Heads of FIUs from 14 countries in the Pacific including Australia and New Zealand were represented with their senior delegates. The plenary agreed that AUSTRAC will be the permanent chair while the other co-chair will be rotating for other members to take turns in leading and hosting the PFIC. Cook Islands FIU was nominated to be the next co-chair and will host the 2nd PFIC Plenary Meeting 2023.

This meeting provided the opportunity for PFIC members to share operational and strategic priorities, discuss opportunities and challenges, to build trust and strengthen operational collaboration, mutual support, capacity development and developing deeper understanding of evolving money laundering, terrorist financing and proliferation financing in the Pacific region.

11.2 Asia Pacific Group on Money Laundering

FASU also hosted two delegates from the APG Secretariat from 5th - 7th December 2022. The APG delegates were in country for 3-days to engaged with NCC agencies, reporting entities and Government Ministers. This high-level visit discussed the expectations by mutual evaluation assessors to prepare the country for its mutual evaluation in March 2023 onwards. PNGs Mutual Evaluation is expected to commence on March 2023 to July 2024.

11.3 United Nations Office on Drug and Crime

The UNODC continues to provide technical assistance to PNG in fighting and preventing money laundering to reduce deforestation and financial crime through illegal logging and wildlife crime. UNODC continues to work with the FASU and the NFACD within RPNGC and other relevant government agencies through its capacity building programs.

UNODC invited FASU to attend an experts' meeting in Bangkok, Thailand in May 2022, with the Thai Anti-Money Laundering Office and the Anti-Money Laundering Council of the Philippines to coordinate and plan activities for 2022-2023 aimed at establishing certification programmes focusing on the professional development of AML/CTF Analysts and Investigators. This is to build the knowledge gap in AML/CTF technically skilled human resources.

FASU also supports the work of the UNODC in country to implement the UNCAC Chapters II (Preventive Measures) and V (Asset Recovery) where it took presented opportunities to voice the challenges it encounters with domestic government agencies to implement UNCAC.

11.4 INTERPOL

International Criminal Police Organisation's (INTERPOL) continues to provide technical assistance and training to PNG relating to financial crimes in the forestry sector since 2017. FASU now has full access to INTERPOL's information system (Database).

The National Central Bureau (NCB) INTERPOL Representative located at Konedobu, within the Police Headquarters, conducted a user training in April 2022 to the FASU intelligences officers. The training enables FASU intelligence analysts to better understand how to access the system and make full use of information available through thei-24/7 database when conducting analysis work.

INTERPOL and UNODC officials under the Law Enforcement Assistance Programme (LEAP) during March 2022 provided mentoring to the FASU intelligence analysts on the usage of the IBM i2 iBase and Analyst Notebook, a financial visualization tool provided through the existing Technical Assistance (TA) program. Mentoring was also provided to the NFACD investigators assigned to investigate cases disseminated by FASU and other money laundering investigations related to the illegal logging in the forestry sector.

11.5 Business Improvement Process (BIP) – Mutual Evaluation

FASU's initiates BIPs or activities to improve work processes. FASU's BIP 151 which relates to Mutual Evaluation was approved on 19 February 2020 resulting in staff capacity increment of additional 21 new positions. The vacancies were advertised internally and 12 new officers were recruited, and six (6) existing officers were promoted during the year. To-date, 35 positions have been filled however, there are 10 more positions vacant which will be advertised externally. This additional resource in staff capacity will assist FASU to be effective and efficient in its deliverables, which will consequently lead to managing the results, or outcome of the ME review.

FASU is working with DJAG in preparing the country for the upcoming ME with its efforts targeted towards priority areas that will have consequential positive impact on the ratings of FATF 40 Recommendations and the 11 Immediate Outcomes. Such priority areas include, amongst others, an increase strategic analysis disseminations, typologies, increased supervision efforts on FI and DNFBPs, specific sector risk assessments and use of financial intelligence by law enforcement agencies.

PNG's second round of Mutual Evaluation review was deferred from November 2021 and rescheduled to March 2023 and this change was adopted during the 2022 APG Annual Meeting and Technical Assistance & Training Forum held from 27th – 29th July 2021 attended by DJAG and FASU officers virtually at the FASU Conference Room. The deferral was on the basis that PNG will undergo its National General Elections in 2022 and could affect the Mutual Evaluation schedule and process.

11.6 Viper/Taipan database

The automation of the file ingestion function of Taipan⁶ database is complete now that the Payment Systems Department (PSD) has approved for FASU to use the Kina Automated Transaction System (KATS) test network link to test the file ingestion function. Internal testing by FASU and the Information and Communication Technology Department (ICTD) team was completed in November 2020 pending external testing due to technical issues faced by the commercial banks besides the Covid-19 surge in NCD during 2021. The external testing was completed on 18 November 2022. The full implementation and completion of this function has been projected for first quarter of 2023.

These initiatives have been progressed by FASU to comply with the obligations under Section 77 of the Act which requires FASU to maintain a database.

11.7 Records Management and Filing System

The FASU rolled out an initiative on records management. Its Records Management Working Team (RMWT) through the Bank of PNG is tasked with the objective of standardizing and updating the FASU records both physical and electronic. The RMWT continued to work through the Covid-19 challenges to deliver on standardising and updating physical paper records totalling 886 records. The RMWT also created a mirrored version of the physical records in electronic form and placed in the shared folder. The RMWT have completed scanning and naming of the electronic documents as of 31st December 2022 to ease file search and to improve FASU's record keeping demarcating the general from intelligence files.

The recommendation from the RMWT going forward is for all FASU official physical/paper records to be reference and store away in the Centralised physical storage location by the Divisional Secretaries. The official electronic records including emails that are completed correspondences to be stored in the Centralized electronic FASU Records folders. Further, the creation of centralized file folders either physical or electronic will be restricted only to the FASU administration team.

⁶Taipan and Viper are the names given to intelligence database developed and used by FASU analysts

12. AWARENESS AND EDUCATION

12.1 AML/CTF Awareness and Education

Table 12: 2022 Awareness and Education Sessions with Reporting Entities.

Dates/Venues	Awareness Conducted
16 th March 2022	FASU conducted an awareness to FIs and DNFBPs in Alotau Bay Hotel, Alotau, Milne Bay Province.
4 th October 2022	During the NCC Meeting No.3 in Vanimo, West Sepik Province (WSP), FASU and the Bank conducted awareness to reporting entities and Provincial NCC agencies at the Golden Medallion Hotel. The Bank also visited three secondary schools, Provincial Treasury Officers, and the public to share vital information about the Bank and AML/CTF. This information was also shared through live broadcast on NBC, WSP.
31 st August 2022	FASU was requested by the Womens Micro-Bank (WMB) to conduct awareness to its staff and management on two separate occasions. The first was to its staff and management at their Training Room, Port Moresby Office.
14 th October 2022	FASU attended the second awareness session with WMB and spoke to Branch Managers and Mama-Bank Access Point (MAP) team during their Capacity Building Program at their Training Room, Port Moresby.

Source: Financial Analysis and Supervision Unit

13. ANALYSIS OF CURRENT MONEY LAUNDERING AND TERRORIST FINANCING TRENDS

FASU is required under Section 75 (2) (c) of the Act, to include in the Annual Report, an analysis of current money laundering and terrorist financing trends.

While such an analysis is undoubtedly useful for domestic entities that are engaged in the fight against ML, FASU has no means of ensuring that the FASU Annual Report will not fall into the hands of money launderers.

The public availability of the annual reports generates the risk of teaching money launderers how to launder successfully, as well as teaching them about the capabilities, and vulnerabilities, of domestic and international AML/CTF authorities.

Consequently, the information contained in this FASU Annual Report is only of a general nature. It should not be assumed that all methods and trends known to FASU are detailed herein.

13.1 Domestic and International Trends in Money Laundering

13.1.1 Money laundering Trends

As with previous years, money laundering in PNG continues to evolve in response to regulatory and law enforcement action.

The major sources of domestic proceeds continue to be corruption, fraud and tax evasion. FASU has seen an uptick this year in the use of cheques, particularly government cheques, for committing offences against government departments and programs.

FASU is aware of money laundering associated with corruption offences that involve the 'gifting' of high-value goods - such as real estate - in foreign countries as the payment of bribes. FASU has commenced working with authorities in those jurisdictions to address this methodology.

Foreign-issued debit/credit cards – particularly those linked to companies registered in tax/ secrecy havens continues to be a method utilised for accessing funds associated with corruption offending. FASU has commenced work with the issuers of those cards to address this methodology.

Trade-based money laundering - in the form of the purchase, sale, gifting and /or movement of high-value goods such as motor vehicles - continues to be seen as a method of laundering.

Reporting available to FASU indicates that money laundering is most often conducted using electronic funds transfers, debit/ credit cards and cheques. Cash is only used in a small proportion of cases, which potentially reflects the nature of crime in PNG.

13.1.2 Corruption

Corruption remains the most significant crime-type, generating hundreds of millions of Kina in illicit funds each year. Intelligence available to FASU indicates that the proceeds of corrupt activities are laundered through multiple means.

Funds extracted from government departments and state-owned enterprises are obtained through a wide array of methods that circumvent government financial controls. This is typically achieved through collusion between people with the ability to raise payments. The funds are typically paid into the account of a company controlled by one of the offenders, or occasionally through a law firm. Most payments of this type are made by domestic electronic fund transfers or cheques, with the funds then being disbursed by electronic fund transfers. Cash is rarely used in the current environment.

13.1.3 Illegal logging

Illegal logging continues to generate proceeds in jurisdictions where logging companies are domiciled.

Only a small fraction of the value of the illegally-obtained timber is ever returned to PNG. The vast majority of the illicit proceeds are generated, and kept, offshore. This means that the proceeds of the offences are effectively outside of the reach authorities in PNG.

Despite the legal requirement to repatriate profits, entities engaged in illegal logging use the PNG financial system to move only small amounts of money - to be used to pay only for those goods and services that cannot be easily smuggled into PNG on logging ships.

Expenditure on costs, such as the salary and wages for workers are often paid into accounts in the foreign employee's home country, from accounts held by the logging companies offshore.

FASU has commenced work with foreign law enforcement to identify the proceeds of illegal logging and address this issue.

13.2 Terrorist Financing Trends

As with previous years, terrorist financing remains a low domestic risk. International trends however continue to show the movement and use of goods such as oil and gas, gold and other commodities in the process of generating and moving funds and assets to be used by terrorist groups.

From a domestic perspective, terrorist financing (if it does occur) is likely to utilise the formal financial sector and in particular, commercial banks – to remit funds either through International Electronic Funds Transfer or through the use of debit and credit cards – or through the export of goods from PNG to conflict zones.

Photo Gallery



Photo: Inaugural Pacific Financial Intelligence Community (PFIC) Meeting, Port Moresby, Papua New Guinea

NOTES



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