



BANK OF PAPUA NEW GUINEA
FINANCIAL ANALYSIS AND SUPERVISION UNIT

TYPOLGY REPORT:

MOTOR VEHICLE DEALERS

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To Robert Haus, Douglas Street, P.O.Box 121, Port Moresby, NCD, Papua New Guinea
Email: intelsupport@bankpng.gov.pg Phone: (+675) 322 7496

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The Use of Typology Reports in Risk Assessments

1. This typology aims to assist financial institutions to better identify and address financially-motivated crime in Papua New Guinea.
2. Section 6 of the AML/CTF Act requires financial institutions to have regard to 'any applicable guidance produced by FASU' when conducting a risk assessment. This typology report is a 'guidance' on money laundering involving motor vehicle dealers should be included in the risk assessments of financial institutions.

The National Risk Assessment

The draft update to the National Risk Assessment 2017 ('NRA') on money laundering identified corruption, bribery, and fraud against government programs as key predicate offence-types in Papua New Guinea. The NRA also identified motor vehicle dealers as high-risk entities.

Recent strategic analysis conducted to update the National Risk Assessment 2017 identified specific types of corruption as generating the most significant volumes of illicit funds. These corruption offences relate to (in order of significance as at the time of writing):

- a. Rural electrification;
- b. Road construction and maintenance;
- c. Health-related corruption;
- d. Building construction and maintenance; and
- e. Election-related corruption.

The intersection of these types of corruption, with motor vehicle dealers, is a significant risk. FASU's intelligence-holdings indicate that due diligence by motor vehicle dealers, with respect to the money that they accept and the circumstances around the sale of vehicles, is not consistent across the sector. Based on the reporting to FASU, some motor vehicle dealers appear to have an elevated threshold for the risks that they are willing to accept.

Purchase of Motor Vehicles Using Illicit Funds

Motor vehicles are vital to modern-day life in Papua New Guinea. Analysis of FASU's intelligence holdings indicates that acquisition, and gifting of, vehicles may be a driving force behind some corruption offending.

FASU's information indicates that the purchase of motor vehicles is among the most significant forms of use or application of funds obtained through corruption, bribery and fraud against the government.

So prevalent is this activity, that the purchase of motor vehicles following any significant predicate offence by a first-time offender, or an offender who hasn't committed an offence for some time, appears to be almost a certainty.

Purchase of Motor Vehicles as Part of an Offence

Along with the purchase of motor vehicles following the commission of an offence is the purchase of motor vehicles as part of an offence.

FASU's intelligence holdings indicate that this is an alternative to purchasing a vehicle as an individual. It is conducted by where a government department or State-Owned Enterprise purchases a vehicle and then that vehicle is registered in the name of an individual or private company rather than in the name of the government entity, or State-Owned Enterprise that paid for the vehicle.

Potential Red Flags

Red Flags Relevant to Motor Vehicle Dealers in Dealing With Customers Purchasing Motor Vehicles

- The person purchasing the vehicle is a senior government employee, an employee of a State-Owned Enterprise or a close associate of a government employee (ie a PEP);
- An entity purchasing a vehicle is a government department or a State-Owned Enterprise and normal procurement processes have not been followed and the purchase is not made by the appropriate division of that entity;
- A vehicle purchased by a government department or a State-Owned Enterprise is not immediately registered in the name of that entity;
- A customer of a motor dealer purchases large numbers of vehicles immediately after gaining access to government funds;

- The purchase of vehicles is not mentioned in project proposal documentation supplied to a motor dealer nor does the project appear to require the purchase of vehicles;
- An entity, such as an Chinese construction firm, purchases vehicles that are then gifted to, or registered in the name of, PEPs or PEP-controlled companies, or other public servants;
- The purchase of a vehicle is made in cash despite the customer having adequate funds in their bank account;
- A purchase of a vehicle is made using cash when no corresponding withdrawal from their bank account can be identified;
- The ultimate source of funds used to purchase a vehicle is a government department;
- A company purchasing the vehicle operates in a different industry to that for which the government contract has been awarded (for example, a building company being awarded a contract of health supplies);
- The funds from the government, used to purchase a vehicle, are in round-numbers.

Red Flags Relevant to Financial Institutions Dealing with Motor Dealers As Customers

- A motor vehicle dealer depositing large amounts of cash in their bank account is unable or unwilling to provide supporting documentation to explain the ultimate source of the cash;
- A motor vehicle dealer that appears unwilling to question their customers about the source of the funds being used to purchase a vehicle or vehicles;
- A motor vehicle dealer appears unwilling to question their customers about why purchases are being conducted in cash rather than other means; and
- The purchase of a vehicle is made in cash despite the customer having adequate funds in their bank account.