

Thailand MER Overview
APG Plenary Tuesday 18 July 2017

Co-Chair, members and observers

Good Afternoon! I'm Peiling from Chinese Taipei, very honoured to represent the team giving an opening introduction here.

1) INTRODUCTION AND OVERVIEW

Introduce team

- The evaluation was conducted by a team of 6 experts and 2 APG Secretariat staff, including
 - Mr. John Visser from Austrac, Australia;
 - Mr. Roland Villaluz from Anti-Money Laundering Council, Philippines;
 - Ms. Joyce Chan from Hong Kong Monetary Authority, Hong Kong China;
 - Mr. Kamal Hossain from Bangladesh Financial Intelligence Unit, Bangladesh;
 - Ms Jennifer Wallis from United States Department of Justice, USA
 - Ms Michelle Harwood of APG Secretariat
 - David Shannon from the APG Secretariat, and
 - Myself
- From the outset I would like to thank and acknowledge the hard working assessors who have been balanced and professional throughout the ME process.
- I would also like to thank the reviewers of the report, for their detailed feedback and input, which was highly useful to improve the quality of the MER.

Thank Thailand

- On behalf of the evaluation team I would like to thank Thailand for their committed engagement throughout the ME process. Key agencies were unflagging in their work and very responsive to the demands of the challenging assessment process.

Key findings

- In the following, I'll introduce the key findings of the Thailand MER.
- Broadly speaking,
- Thailand demonstrated strong political support for AML/CFT reforms and the team found generally there is strong coordination and cooperation at policy and operational levels.
- Thailand has generally strong technical compliance with the 40 Recommendations with comprehensive legal frameworks in many areas.
- Thailand faces a range of ML and TF risks. Assessments have identified corruption, drug offences, tax evasion, unfair securities trade, and customs evasion as the five major crimes which contribute to a large majority of all crime-generated assets. Authorities acknowledge high risk channels of ML as commercial banks and the real estate sector. Cross border risks relate both to immediate neighbour jurisdictions and the movement of people, goods and capital through Thailand. These factors have been assessed in NRAs in 2012 and 2016.
- Thailand is exposed to TF threats largely from domestic terrorist groups particularly in the southern border provinces. Thailand is also vulnerable to transnational terrorism threats including returning foreign fighters seeking to return to other South-Eastern Asian countries. Fund raising for terrorist incidents is mainly generated through NPOs, illegal activities, crowd funding and self-funding. Authorities consider border customs check points, commercial banks and specialized banks as being vulnerable to TF.
-
- In the relevant assessment period, Thailand conducted two NRAs, one in 2012 and one which was largely finalized at the time of the onsite in 2016. In relation to the 2012 NRA the team finds that the understanding of key risks considered in that NRA were mixed, although some policy and legislative reforms were made as a result. The 2016 NRA was conducted with a greater emphasis on the

context of Thailand with significant stakeholder input and implementation of the preliminary findings had begun at the time of the onsite.

- Overall, authorities and the private sector in Thailand demonstrated a generally reasonable understanding of its key risks although more in-depth assessment and understanding of each financial sector is required. Whilst the understanding of domestic terrorism is well demonstrated, there is room for improvement in more comprehensive assessments and understanding of TF risks, both domestic and transnational.
- The FIU is a long-established and high performing unit, one of its major strengths is the support it provides to LEAs in the course of criminal investigations. In order to improve, the FIU could focus on more proactive analysis and dissemination to LEAs based on the wide and varied information it receives.
- The pursuit of money laundering is an area requiring improvement in light of the very significant financial crime risks Thailand faces. The building blocks are largely present, with a largely compliant offence, good financial intelligence support from AMLO and some previously demonstrated successes. However, in light of its risk profile, the team found major room for improvement in the pursuit of ML, particularly in certain law enforcement agencies. Greater expertise is required in financial investigations in these agencies, as there tends to be an over-reliance on AMLO to conduct the financial investigations. There were some notable exceptions and these are discussed in the report.
- Thailand has achieved a reasonable number of confiscation outcomes. The team considers Thailand's pursuit of assets and its related legal and institutional frameworks is of a high standard and despite some challenges with obtaining statistics in some areas, considered that very good work was being done by the authorities to pursue the proceeds of crime. Asset management of proceeds of crime is a strong point. The team highly recommends bringing provisions regarding property of corresponding value up to international standards and to commence their implementation.

- The cross- border regime is an area requiring further focus by the Thai authorities in light of Thailand’s risk and context. Some amendments recently made to the legal framework have strengthened the regime and it will be a matter for Thailand to implement the system in light of the amendments.
- The authorities have a significant focus on domestic terrorism in light of the situation in the southern border provinces of Thailand. Great efforts have been made by authorities to combat terrorism risk emanating from that region in challenging circumstances. However, improvements are required in relation to the investigation and prosecution of the financing of terrorism, both domestic and transnational.
- A strength in combating domestic terrorism has been Thailand’s use of UNSCR 1373 designations and Thailand demonstrates excellent use of this tool with 83 domestic designations. Implementation of these designations was well demonstrated in the banking and most financial sectors however not as well demonstrated in DNFBPs and other financial sectors.
- Thailand has made some assessments of NPO sector risks, and Thai authorities have taken steps to focus NPO monitoring and outreach on the basis of risk. However, there are gaps with available resources and enforcement powers for NPO regulators.
- A new law establishing a generally comprehensive targeted financial sanctions framework relating to proliferation financing was passed in July 2016, but only entered into force after the team’s onsite due to extraordinary circumstances. Thailand demonstrated that it had commenced related implementation work for the new framework prior to the entry into force of the law.
- Preventative measures generally demonstrated a reasonable degree of conformance with the FATF standards however, large gaps remain particularly in relation to requirements covering DNFBPs at the time of the onsite. The application of requirements for PEPs was noted as a challenge.

- The transition of AML/CFT supervision to AMLO has been a success and risk-based supervision has commenced based on the findings of the 2012 NRA. However, there is further need for further risk information to deepen risk-based supervision and additional supervisory resources. There is need for additional implementation of fit and proper controls on market entry and improved sanctions to be available to AML/CFT failures with more flexible options for administrative application of sanctions.
- Thailand relies on FIs to collect beneficial ownership information and basic information is captured at company formation stage, but there were no such requirements for DNFBPs to collect such information. Thailand has demonstrated cases where it has pursued beneficial ownership information of companies formed abroad and information on foreign persons who may own or control Thai legal persons.
- Finally, the team finds that Thailand has demonstrated a good level of international cooperation. It was evident that Thailand actively pursues co-operation on an informal basis, but less so on a formal MLA basis. Nevertheless, Thailand has been responsive to requests from other jurisdictions and has also actively sought assistance in some matters. Case studies demonstrate successes in the use of formal and informal cooperation however the team recommends an increased use of formal MLA to pursue domestic and transnational criminal matters and asset recovery.

Conclusion

- Thailand was extremely cooperative throughout the ME process, providing the team with comprehensive TC and effectiveness responses and ongoing assistance throughout. The assessment team commends Thailand for its work in reforming its AML/CFT system since the last mutual evaluation, and in its review under FATF International Cooperation Review Group. These processes combined with strong political will, and hard work of the Thai authorities have led to the

findings of the team that Thailand has a good degree of compliance with the FATF Standards, even more so when considering legal instruments passed after the onsite that the team was not able to take into account. Particularly, the monarch was very long standing and his passing just before the onsite created challenges for Thailand, however they nevertheless decided to proceed with the onsite showing their dedication and commitment to the process. The team thanks Thailand for their hard work, courage, and hospitality shown throughout the process.

- Finally, I'd like to share with you one of the best part in my life. It's about two years ago, I was in New Zealand Plenary meeting, seating in the back of the main table, listening to the assessor from Thailand to respond to the questions raised by members, I was so encouraged and dreamed that one day I could be a member of the assessment team. And today, my dream not only come true, but even more than that. In the past one year, the assessment team members spent wonderful time together, and with Thailand, I learned the FATF 40 recommendation from a holistic and multi-faces point of view through the process. It's always so touched that you find people working hard together to better the system for their countries and to make a beautiful world. I myself benefited so much, and I would like to highly recommend everyone in the room to take a try. The experience of being an assessor is like a box of chocolate, you'll never know what you get, but believe me, you can always expect the beautiful unexpected. Thank you!