

**Financial Intelligence Office
Annual Report 2010**

179.21

237.63



Table of Contents

CHAPTER I	INTRODUCTION	90
CHAPTER II	BACKGROUND AND ORGANIZATION STRUCTURE	93
2.1	Organization Background and New Challenges	93
2.2	GIF's Organization Structure and Functions	93
2.3	Duties of GIF	94
2.4	Human Resources of GIF	95
CHAPTER III	TREND AND DEVELOPMENT OF SUSPICIOUS TRANSACTION REPORTS (STRS)	96
3.1	Statistical Data	96
3.2	Statistics on Recent Trends of Suspicious Transactions	97
CHAPTER IV	ANTI-MONEY LAUNDERING AND COUNTER TERRORIST FINANCING IN MACAO	99
4.1	Coordination of the Interdepartmental AML Working Group	99
4.1.1	Study Working Group on legislation and implementation of freezing mechanisms	101
4.1.2	NPO Working Group	101
4.2	Follow-up of APG/OGBS Joint Mutual Evaluation Report	102
4.3	Intelligence Cooperation with Law Enforcement Departments and Supervisory Agencies	104
4.4	Courtesy Visit to Reporting Entities	104
4.5	International Cooperation	105
4.6	Training	108
4.7	Public awareness	116
4.8	Attending International Conferences	118
CHAPTER V	ADMINISTRATION	122
5.1	Procurement of AML/CFT Analytical Tool	122
5.2	Electronic STR Filing and Online STR Reporting	122
5.3	Upgrade of information security and management	122
CHAPTER VI	CHALLENGES AND PROSPECTS	124

CHAPTER I INTRODUCTION

It has been four years since the enactment of the Anti-money laundering and Counter-terrorist financing laws in October 2006. With the introduction of the laws, the Financial Intelligence Office (*GIF*) has been bearing that key responsibility of spotting suspicious money laundering activities, thus assisting the law enforcement agencies in curbing and preventing such crimes. The gain of experience has enabled it to better execute its duties, and contemplate Macao's and its role in the international arena of AML/CFT regime.

With the support and direction of the Secretary for Economy and Finance, *GIF* has grown from a group of six people to one of 37 members who closely collaborate in exercising their duties in the fight against ML/FT crimes. Commitments in efforts and time of its staff have made *GIF* more sophisticated and articulate in performing its functions, namely analysis of cases, handling and dissemination of data and working with local, national and international authorities.

Macao again caught the spotlight of the world with its outstanding GDP growth figures, in particular during the second half of the year. Despite the lower base in 2009, the growth is encouraging, which can be easily traced to the influx of tourists from Mainland China and Hong Kong. Nevertheless, increase in moving population could imply more frequent movement of funds, thus causing a negative influence on the money laundering risk.

On the other hand, the new initiatives of the G20, which are implemented through the Financial Action Task Force (FATF), are starting to take their effects. Countries with less than satisfactory performance in AML/CFT regimes are already subject to more stringent measures. For jurisdictions with better performances, they still need to provide evidence for the progress made since their last mutual evaluation. As a result, both the risks associated with the evolvement of local economy and the requirements of international bodies have urged *GIF* to develop itself, in collaboration with other government agencies, and better adapt to the new challenges.

The promotion and education programs for practitioners in the financial and insurance sectors have always been a core part of the working agenda of *GIF*. Publication of educational materials for both the financial and gaming sectors continues to be a major agenda items and we are seeing better responses from them. Concrete steps have been taken in 2010 to strengthen the legal framework of anti-money laundering and terrorist financing to ensure that Macao is kept in line with new international standards.

As always, *GIF* has arranged various training opportunities to increase the knowledge and skills of analysts, which leads to more detailed analysis of suspicious cases and facilitates further investigation by law enforcement agencies. Close contacts with different government agencies has also been essential in terms of information exchange, which is also crucial for the review of AML/CFT policies and procedures. In this year *GIF* is getting more involved in international matters, which in turn have also benefited itself in understanding

latest trends and developments in global AML/CFT regime.

The main tasks performed by *GIF* in 2010 are again categorized into four main areas:

International Front

GIF has been maintaining close communication with APG and its member jurisdictions, and assigned staff to participate in the conferences and workshops held by the APG. It also fulfilled its duties as an APG member to respond to different surveys, questionnaires and information enquiries. Apart from appointing delegates to attend international training courses such as those held by International Law Enforcement Academy (ILEA) and Hong Kong Police Force, *GIF* has also assigned staff to attend training held by the Bank Negara Malaysia in collaboration with the Australian Transaction Reports and Analysis Center (AUSTRAC). At the same time, the Director of *GIF* also assumes the post of co-chair of the Regional Review Group of International Cooperation Review Group under the FATF.

Domestic Level

GIF coordinated the interdepartmental AML Working Group and results were satisfactory. As depicted in Administrative Regulation No. 7/2006, *GIF* is empowered to work hand in hand with the supervisory authorities to assist in the formulation of AML/CFT guidelines for entities under their supervision. Apart from informing the supervisory authorities and agencies about the recent trends and typologies in AML/CFT areas, *GIF* also performed specific data analysis of for certain supervisory authorities and provided advice on enhanced supervisory procedures. Cooperation with various agencies, including agencies such as *DSE* and *DICJ*, still goes on to ensure that supervision work could be further enhanced. In 2010, *GIF* has studied with the member agencies about the amendment of AML Law and Administrative Regulation, and is preparing a consultation on this. AML/CFT risk assessment of non-profit organizations in Macao SAR was basically completed. The study group on the confiscation and freezing of terrorist assets has been formed and its first meeting was held near the end of the year. Regular meetings with the Monetary Authority were still carried on to discuss about the latest possible ML trends in financial sector and the way to mitigate their risks.

Office Administration

The headcount in the administration team of *GIF* was increased and the total staff count was thus stabilized for the full operation of the Office. Security and management of STR database has been further enhanced for more sophisticated analysis of typologies and intelligence. Procurement process of AML/CFT database analysis system, which was initiated in 2009, was completed this year, and installation and confirmation of database specification is on the way. Testing of online STR system was completed and further refinements

were made to the system according to feedbacks from prospective users. The launch will be done by the end of the first quarter 2011. .

Promotion and Education

GIF and the Monetary Authority of Macao have conducted seminars for the financial sector to update its members about the latest trends of money laundering and the findings in the STRs submitted. Individual sessions have also been arranged for banks, insurance companies and casinos at their requests.

Four newsletters have been specifically published for the financial/insurance sector and gaming sector respectively. New typologies and detailed description of money laundering methods were introduced in these newsletters to enhance the vigilance of both sectors about money laundering and terrorist financing risks, and practical suggestions were given to assist the sectors in mitigating risks or identify suspicious activities. Feedback from both sectors on the newsletters was positive.

Progress and achievements of GIF in these years would not be possible without the strong support and leadership from the Secretary for Economy and Finance. Working Group members' support, including the Independent Commission for the Exercise of the Disciplinary Power over Solicitors, MP, CCAC, the Unitary Police Service (SPU), SA, the Legal Affairs Bureau (DSAJ), the International Law Office (GADI)¹, DSE, DSF, DICJ, IPIM, AMCM, PJ and the Macao Lawyers Association (AAM), could never be understated. GIF also treasures the contribution of its staff, without whom it would not be possible to fulfill its duties effectively.

In the last Annual Report, it was foreseen that AML/CFT tasks were becoming more challenging and the facts do turn out to be so. Review has been or is being done on certain areas to identify risks and the corresponding mitigating actions have also been suggested. In addition, new international requirements have posed new challenges to governments worldwide and Macao is no exception to this. Therefore the need is always there for Macao to constantly adapt itself to the latest requirements, and improve those measures that are already present but need further refinements.

GIF looks forward to the new year ahead, and with its dedicated staff and support from the Macao SAR Government, the challenges in front will be another milestone of success.

¹ GADI has been merged into the new agency 'Law Reform and International Law Bureau' in 2011.

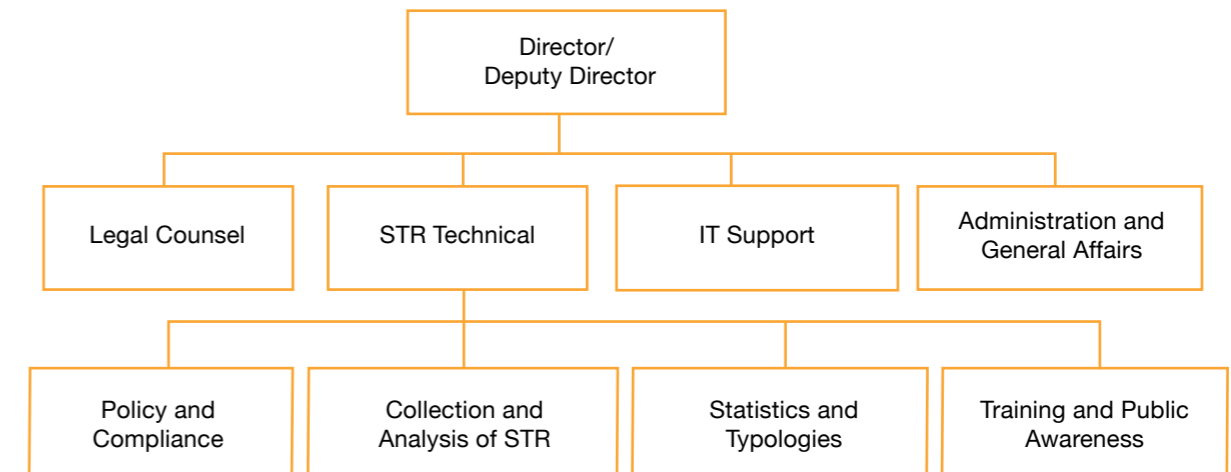
CHAPTER II BACKGROUND AND ORGANIZATION STRUCTURE

2.1 Organization Background and New Challenges

GIF was established on 8th August 2006 under Executive Ruling no.227/2006 with the primary role of collecting, analyzing and disseminating information on suspicious transactions of money laundering and terrorist financing. It was established for coping with the implementation of Law no. 2/2006 and Law no.3/2006 on Prevention and Repression of Crime of Money Laundering and Prevention and Repression of Crimes of Terrorism.

Under Executive Ruling no. 227/2006, GIF was set up in the form of a project entity with a term of three years that can be extended under the order of the Chief Executive. The duration of GIF has been extended in July 2009 for three years until 7th August 2012 by Executive Ruling no. 259/2009.

2.2 GIF's Organization Structure and Functions



The core function of GIF is to collect, analyze and disseminate relevant information to law enforcement agencies, judicial authorities or other entities vested with the authority to prevent or suppress crimes relating to money laundering or terrorist financing. In exercising such duties, GIF is granted with the following specific competence:

- To receive information provided by different entities and to establish and maintain a database with such information;
- To analyze the information received, and report the suspicious money laundering activities to the Public Prosecutions Office;
- To provide assistance to law enforcement agencies, judicial authorities and other entities empowered to prevent and repress money laundering and terrorist financing crimes, based on their requests with clearly stated reasons, particularly in the form of information sharing and technical support;
- To provide to and receive from entities external to the Macao SAR information about money laundering and terrorist financing crimes, under authority of any inter-regional

agreements or any other international law instruments;

- To collaborate with public entities to establish and revise anti-money laundering and counter-terrorist financing guidelines; and
- To develop promotion and education programs for public awareness about anti-money laundering and counter-terrorist financing.

2.3 Duties of GIF

The Director takes on the leadership, coordination and management responsibilities so as to fulfill the duties stipulated in Law no. 2/2006 Article 8.2, Law no. 3/2006 Article 11 and Executive Ruling no. 227/2006.

The duties of GIF are categorized into four main areas: Policy and Compliance, STR Collection and Analysis, Statistics/Typologies and Training and Public Awareness. Such duties are performed with the support of the following three team of back office staff: Legal Counsel, IT Support and Administration and General Affairs.

Policy and Compliance

GIF has the duty to keep track of international developments and update the information on international standards, laws and conventions. It liaises on continual basis with international bodies such as APG, Egmont Group and IMF, and answers assessment questionnaires and enquiries of the same nature. On domestic level, GIF follows up with the change in local laws and recommends new measures for keeping abreast with latest developments.

STR Collection and Analysis

GIF is responsible to collect and analyze STRs submitted by different reporting entities as well as inputting data into the database. All incoming reports will be verified to ensure all data be filled in correctly and the first feedback will be sent to the reporting entity accordingly. The initial feedback will be followed by subsequent follow-up replies if deemed necessary. Further to that is to carry out analysis, including data matching against existing records and intelligence provided by local law enforcement and foreign counterparts. GIF possesses the authority to request additional information from reporting entities, if necessary, for in-depth study on any cases, and to propose reported cases to the Public Prosecutions Office.

Statistics / Typologies

GIF has to extract statistical data periodically from received STRs, as well as providing instructive information such as trends and typologies to the supervisory agencies and

reporting entities.

Training and Public Awareness

To arrange training and public awareness programs on AML/CFT is one of GIF's important responsibilities. For this reason, GIF needs to search for suitable training resources provided by international bodies, arranges local courses by inviting experts from abroad, and takes part in seminars and workshops overseas. At the same time, promotional campaigns by means of brochures, newspaper articles and advertisements in mass media are necessary to raise the public awareness about the importance of AML/CFT.

2.4 Human Resources of GIF

Over these years, GIF has progressively increased the staff level to cope with the growing and more demanding responsibilities of the Office. The staff structure is as follows:

Year	2007	2008	2009	2010
Director	1	1	1	1
Legal Counsel	1	1	1	1
STR – Technical	6	9	8	11
STR – Administration	-	2	4	4
IT Support	4	4	5	5
Administration and General Affairs	8	11	14	15
Total	20	28	33	37

During 2010, three new staff were recruited in the area of STR Technical in support of the ever-increasing volume of STR cases received, and four in the Administration and General Affairs section to replace natural loss respectively. The overall head count has gone up from 33 to 37. An increase in the number of STR Technical personnel was a result of the growing demand of training needs requested by private sector entities, together with the more active role assumed by GIF in the participation of international meetings held by organizations such as the Asia Pacific Group on Money Laundering (APG), the Egmont Group, and the Financial Action Task Force (FATF).

In response to the expanding tasks and responsibilities over time, a reinforcement of the internal IT system was proposed and is currently under implementation. The launch of the new IT support system is anticipated to further enhance the analytical capability of the STR Technical staff members. Extensive training will be provided to related staff members to familiarize them with the newly implemented system in order to better support them with their duties in the long term.

CHAPTER III TREND AND DEVELOPMENT OF SUSPICIOUS TRANSACTION REPORTS (STRS)

3.1 Statistical Data

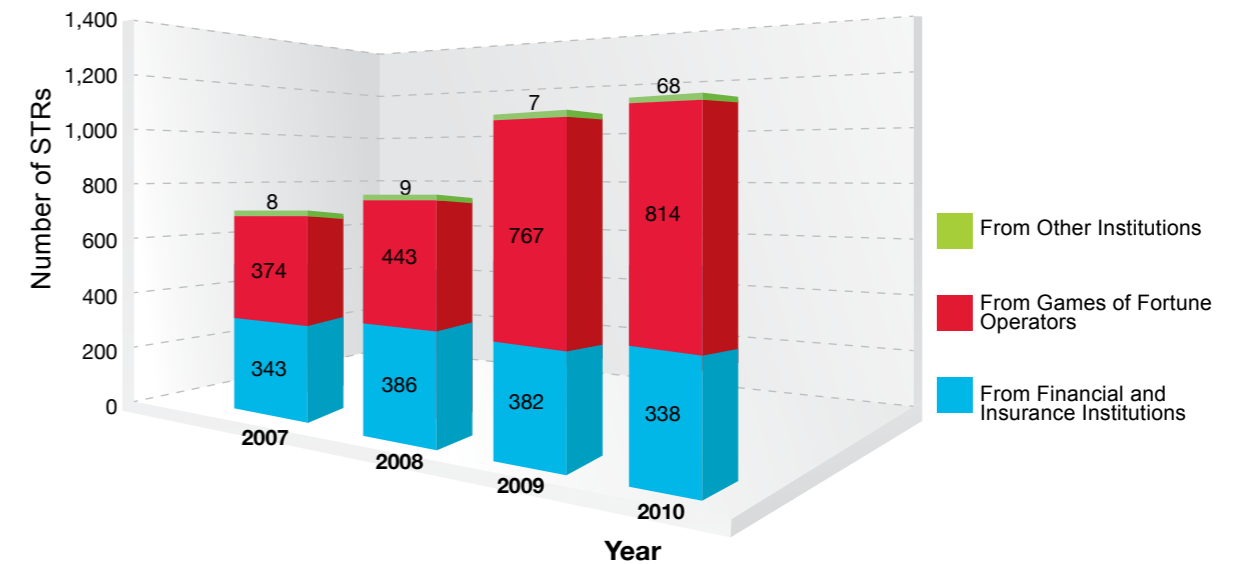
Collection of STRs has been one of the core functions of *GIF*. After a steady propagation to raise the public awareness on AML and CFT issues by *GIF* since 2006, the community began to acknowledge the importance of AML and CFT, as evidenced by the increase in both the number of STRs received by *GIF* and the number of business sectors that reported suspicious cases. The total number of STRs received and their variances were as follows:

Year	Number of STRs	Variance
2007	725	+ 34%
2008	838	+ 16%
2009	1,156	+ 38%
2010	1,220	+ 06%

As shown in the STRs received in 2010 (Table 1 & Chart 1), STRs submitted by entities which are related to the gaming sector increased by 47 to a total of 814, rising 6% as compared with figures of 2009. This is in line with the overall increase in STRs received. For the financial sector, *GIF* received 338 STRs, which has dropped 11% as compared with figures of 2009. In addition to those STRs received from the two major sectors in Macao, *GIF* also received 68 STRs from other institutions, mainly from the real estate sector. This significant increase in the number of STRs is mainly the result of the supervisory actions by *DSE*, together with a series of public awareness program jointly carried out by *DSE* and *GIF*.

	2007	2008	2009	2010	Variance ('09 vs '10)
	Number of STRs				%
From Financial and Insurance Institutions	343	386	382	338	(11.5%)
From Games of Fortune Operators	374	443	767	814	6.1%
From Other Institutions	8	9	7	68	871.4%
Total	725	838	1,156	1,220	5.5%

Chart 1: STRs Statistics



During 2010, *GIF* has submitted 101 STRs to *MP*, with a rise of 1% as compared with figures of 2009.

3.2 Statistics on Recent Trends of Suspicious Transactions

After over four years' accumulation of STRs, the top eight most common trends of suspicious transactions in 2010 tends to be the same as 2009, but in different orders. "Purchase of fixed assets (assets subject to registration)" and "Casino Related Financial Transaction" had replaced "Gambling activities (casinos, horse racing, internet gambling etc.)" and "Related to other crimes". From another perspective, eight out of the top ten typologies are gaming related. This is consistent with the number of STRs received. This is because the STRs submitted by the gaming industry were more than double those submitted by the financial institutions, thus contributing to the frequency of the gaming related typologies.

The top ten most prevailing typologies (in terms of occurrence) in 2010 are listed in the following table. Among the STRs received, suspicious wire transfers occupy the top of the list, followed by significant cash deposit with non-verifiable source of funds. In addition, being unable to provide ID/ important personal information and chips conversion without gambling activities are also common.

CHAPTER IV ANTI-MONEY LAUNDERING AND COUNTER TERRORIST FINANCING IN MACAO

Chart 2: Ranking of Statistics on Typologies of STRs in 2010

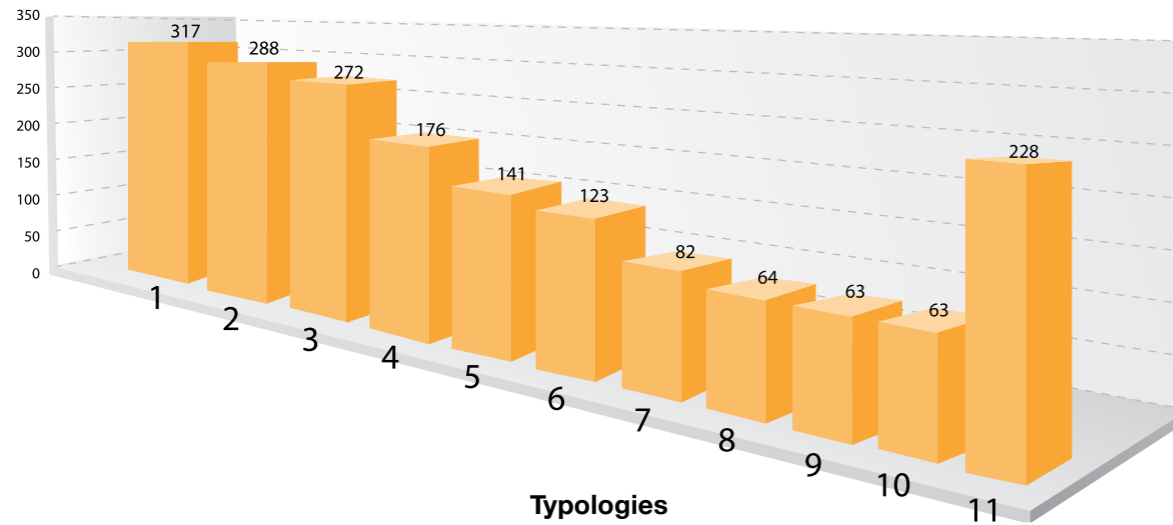


Table 2: Ranking of Statistics on Typologies of STRs (in order of popularity)

Tipologias	Número de STRs
1 Suspicious Wire Transfers	317
2 Significant Cash Deposit with Non-verifiable Source of Funds	288
3 Unable to provide ID/important personal information	272
4 Chips Conversion without Gambling Activities	176
5 Use of cheques/promissory notes/account transfer etc. to transfer funds	141
6 Irregular Large Cash Withdrawals	123
7 Possible Match with International Watch-list or other Black List	82
8 Currency exchanges / cash conversion	64
9 Purchase of fixed assets (assets subject to registration)	63
10 Casino Related Financial Transaction	63
11 Others*	228

* Other typologies including Deposit to Credit Card Account, Frequent Credit Card Transactions (use in casino with nearly immediate repayment), Intentionally Avoid Identity/Large Transaction Disclosure Threshold, Frequent Credit Card Transactions (unrelated to casino), Use of ATM, phone banking, cash deposit machines, etc.

4.1 Coordination of the Interdepartmental AML Working Group

The Interdepartmental AML Working Group was established in 2002 with the purpose of facilitating coordination, cooperation, and information exchange among government agencies in Macao that tasked with implementing AML/CFT measures, and of following up the implementation and recommendations given in the APG/OGBS Joint Mutual Evaluation Report (MER). *GIF* is currently the coordinator of the AML Working Group and meetings are usually held quarterly. At present, the AML Working Group is represented by designated officers from 14 different agencies of supervisory, legal and law enforcement nature, including (in alphabetical order of Portuguese acronym):

- (1) Monetary Authority of Macao (*AMCM*)
- (2) Commission against Corruption (*CCAC*)
- (3) Independent Committee for the Exercise of Disciplinary Power over Solicitors (*CIEPDSS*)
- (4) Gaming Inspection and Coordination Bureau (*DICJ*)
- (5) Legal Affairs Bureau (*DSAJ*)
- (6) Economic Services Bureau (*DSE*)
- (7) Financial Services Bureau (*DSF*)
- (8) International Law Office (*GADI*)²
- (9) Macao Trade and Investment Promotion Institute (*IPIM*)
- (10) Public Prosecutions Office (*MP*)
- (11) Judiciary Police (*PJ*)
- (12) Macao Customs Service (*SA*)
- (13) Unitary Police Service (*SPU*) and
- (14) Financial Intelligence Office (*GIF*).

In 2010, *GIF* organized 5 interdepartmental AML working group meetings in which the following subjects were discussed:

- Follow up the progress of anti-money laundering practices of the relevant government agencies and supervisory authorities;
- Follow up the implementation of the recommendations of the APG/OGBS Joint Mutual Evaluation;
- Coordinate trainings with overseas institutions for various government agencies;
- Formation of Confiscation and Freezing Working Group to study the existing legislation and mechanism on freezing and confiscation of assets related to ML/FT; (see Section 4.1.1)

² GADI has been merged into the new agency 'Law Reform and International Law Bureau' in 2011.

- Continue to coordinate with the members of Non-Profit Organization (NPO) Review Group to improve the supervisory measures and monitoring system on NPOs; (see Section 4.1.2)
- Revise Law No. 2/2006 “Prevention and Suppression of the Crime of Money Laundering” and Administrative Regulation No.7/2006 “Preventative measures for the crimes of money laundering and financing of terrorism”;
- Review of FATF 40+9 Recommendations; and
- Report on APG Annual Meeting and Typologies Workshop.

In 2010, the interdepartmental AML working group completed a series of tasks which are summarized as follows:

- 1) The Working Group followed up the progress of various government agencies regarding the implementation of the recommendations in the APG/OGBS Joint Mutual Evaluation Report, and consolidated a report to update the APG about the progress; according to the FATF “International Cooperation Review Group (ICRG)” procedures, the APG has revised the Mutual Evaluation follow-up procedure and all member jurisdictions have to submit a detailed progress report within 3 years after the mutual evaluation. As the Mutual Evaluation Report of Macao China was adopted in July 2007, the Working Group had to prepare a detailed progress report with concrete action plan by January 2011 for follow up with any deficiencies in the last APG/OGBS Joint Mutual Evaluation Report; suggestions were made by *GIF* to Working Group members on new measures to cope with the recommendations of the APG/OGBS Joint Mutual Evaluations. (see Section 4.2)
- 2) The Working Group consolidated a proposal to revise the Law No. 2/2006 and Administrative Regulation No.7/2006 to the Secretary of Economy and Finance.
- 3) *GIF* coordinated an AML/CFT training for law enforcement agencies including Judiciary Police, Unitary Police Service, Customs and Public Prosecutions Office. (see Section 4.5)
- 4) Working Group members were invited to attend international anti-money laundering conferences and seminars with the assistance and arrangements of *GIF*. (see Section 4.7)

4.1.1 Study Working Group on legislation and implementation of freezing mechanisms

In response to the FATF Recommendation 3 and Special Recommendation III, there is a need to improve the existing legislation with incorporation of provisional freezing measures for assets related to ML/FT crimes. In addition, in accordance with Law no.4/2002 related to the enforcement of some international acts in Macau, it is also necessary to establish an effective and timely mechanism among relevant government agencies and reporting entities to implement the required reporting and freezing measures on assets related to sanction lists under United Nations Security Council Resolution 1267 and 1373. A special study working group was therefore formed in July 2010 under the coordination of *GIF*, with members from *AMCM*, *PJ*, *MP*, *CCAC*, *DSAJ* and *GADI*³. This Working Group aims to study the existing laws and carry out feasibility studies to incorporate the freezing mechanism that may be deemed necessary.

The first meeting of the Working Group was held in December 2010 and valuable comments were received to improve the existing workflow between reporting entities and relevant government agencies including *GIF*, law enforcement agencies and supervisory authorities. Suggestions were also provided on different alternatives to incorporate the provisional freezing measures into the Macao legal system. The Working Group at this stage has already worked out an action plan with short term target to streamline the cooperation mechanism between *GIF* and law enforcement agencies to ensure the timely action taken for assets related to UNSCR 1267 and 1373 and long term plan to amend the existing law for incorporating the necessary freezing measures into the legal system.

4.1.2 NPO Working Group

The NPO Working Group coordinated by *GIF* was formed in 2009 with members from the Financial Services Bureau (*DSF*), the Identification Bureau (*DSI*), the Legal Affairs Bureau (*DSAJ*) and the International Law Office (*GADI*)³, now being reformed into the Law Reform and International Law Bureau (*DSRJDI*), with assistance from the Public Administration and Civil Service Bureau (*SAFP*). Its objective is to carry out periodic review on NPOs with focus on assessment of terrorist financing and money laundering risks through NPOs in Macao and review on the adequacy of existing rules and regulations. During 2009 and 2010, representatives from this Working Group gathered together regularly to carry out the aforementioned tasks. A detailed study was made in 2010 on the NPO sector in Macao aiming to assess the inherent risks with terrorist financing and recommendations will be made to the government for improving the existing registration and ongoing monitoring systems of NPOs. In the years ahead, this Working Group will continue to analyze and evaluate the effectiveness of the supervisory measures undertaken by government departments to ensure the adequacy of control measures in the NPO sector.

³ GADI has been merged into the new agency 'Law Reform and International Law Bureau' in 2011.

4.2 Follow-up of APG/OGBS Joint Mutual Evaluation Report

The year 2010 was a busy year for the inter-departmental AML Working Group. There had been massive discussion about the revision of the various recommendations of the FATF, and expert groups had been formed to thoroughly review the 40+9 Recommendations. Furthermore, in response to the FATF International Cooperation Review Group (ICRG) process, the APG had revised the Mutual Evaluation follow-up procedures accordingly. Members with one or more Non-Compliant (NC) or Partially Compliant (PC) in the six core FATF Recommendations will need to submit a detailed progress report against all MER recommendations with full supporting documentation and a concrete action plan within three years from the date of the Mutual Evaluation Report (MER). Since Macao's MER was endorsed in 2007, it was required to submit concrete action plan with implementation timetable by early 2011.

To comply with the revision in the above procedures and Recommendations, the AML Working Group members had put lots of efforts to carry out various studies and review in our respective supervisory regimes, trying our very best to catch up with the changing international standards.

For the implementation of the deficient areas under the core Rec. 5, the necessary Customer Due Diligence (CDD) measures especially on the identification of beneficial owners and ultimate effective control in case of legal persons and legal arrangements as well as ongoing due diligence had already been implemented into the guidelines of *AMCM* for all financial institutions and insurance companies.

For areas related to the key recommendations, a sub-Working Group on Confiscation and Freezing was formed in 2010. This Working Group aims to study the differences between the FATF Recommendation 3 and SRIII (Confiscation and Freezing of Assets) and the existing laws and regulations of Macao, and then studies on the feasible work which Macao could put in place in this area. For the Non-Profit Organization (NPO) sector, the NPO sub-Working Group, which was set up in 2009, had sent out questionnaires to the government departments and the banking sectors to study the existing regulatory measures adopted by them. The results had been consolidated and a thorough review report was under preparation to study the situations in the NPO sector and what would be the possible follow-up actions. Regarding cross-border control, *GIF* had organized tripartite meetings with the Macao Customs Service and the Judiciary Police to discuss the current control measures in this aspect and their cooperation to fight against large volume cash couriers between borders. Moreover, questionnaires were sent to these 2 departments, aiming to clarify their respective supervisory areas and measures in place.

Besides the above, supervisory authorities also continue to strengthen their ongoing monitoring measures. Following the revision of guidelines for the Insurance Sector and the

Financial Institution Sector in 2008 and 2009, *DSE* revised their AML/CFT guidelines for the real estate sector, the pawn shops and the service providers in September 2010. The *DICJ* continued their on-site examinations for the 6 concessionaires and sub-concessionaires.

On the international front, following the resignation of Malaysia, Macao China was invited to be the Co-chair of the Asia Pacific Regional Review Group (RRG) of the ICRG. The Director of *GIF* will take up the Co-chair role in the coming year to work together with the other standing Co-chair, Australia, and the other RRG experts to handle the mutual evaluation issues of the different jurisdictions which have been put into the category for detailed review by the ICRG.

As mentioned, the FATF standards are under review, in the lead up to another round of mutual evaluations after 2012. The aim of the review of the 40+9 Recommendations is to ensure that they remain up-to-date and relevant and to benefit from lessons learned from implementing and evaluating the current standards.

Work has been undertaken by FATF expert groups over the last year on the first phase of this review, considering issues such as the risk-based approach, CDD issues, reliance on 3rd parties, PEPs and international cooperation. The initial proposals emerging from this work were summarised by the APG Secretariat and forwarded to members earlier. The APG Secretariat attended the expert group meetings in Hong Kong, China in December 2010. The Secretariat plans to maintain continuous representation at the remaining inter-sessional FATF meetings in 2011.

In November 2010 the APG Steering Group established an ad hoc "Working Group on Review of the FATF Standards / Mandate", the objective of which is to assist the Secretariat and the members to better manage work associated with FATF issues and to encourage input by APG members. The working group consists of delegates from each of the five sub-regional groups of the APG (North Asia, Pacific, South East Asia, South Asia and Other) and will review FATF policy papers and identify issues of significance to the APG, and seek sub-regional comments on these FATF proposals from each of the five sub-regions.

In response to the invitation of the representative of the North Asian Group of APG, the legal counsel of *GIF* has participated in this ad hoc Working Group to assist with the inter-organization matters between APG and FATF. In addition, as mentioned above, the Director of *GIF* has also assumed the duty as the Co-chair of the APG Regional Review Group, the main function of which is to carry out the regional review of jurisdictions referred to the ICRG and monitor on the progress of implementation of action plan committed by the jurisdictions concerned. The more active role of *GIF* in international activities can provide the office with better opportunities to learn from the weaknesses of other jurisdictions and share their experience in tackling problems.

4.3 Intelligence Cooperation with Law Enforcement Departments and Supervisory Agencies

GIF has been working closely with law enforcement entities and supervisory agencies to achieve an effective cooperation mechanism. In order to ensure a unified direction and integration of efforts in combating crimes in relation to AML/CFT, relevant meetings and discussions with different agencies, such as *AMCM*, *DSE*, *SA*, *MP*, *PJ* and *DICJ*, were held in 2010:

- Three bilateral meetings were held between *AMCM* and *GIF* to discuss different issues in relation to AML/CFT, such as updates on statistics and activities regarding AML/CFT, supervisory issues detected from STRs and joint project on training cooperation;
- A bilateral meeting between *DICJ* and *GIF* was held in July 2010 to exchange views on several topics, such as recent trend of casino related cases and recommendations on how to enhance the supervisory work;
- A bilateral meeting was held between *DSE* and *GIF* during 2010 to discuss mainly the revision of “Anti-Money Laundering and Combating the Financing of Terrorism Guideline” for entities under the supervision of *DSE* and the possibility of offering training to their front-line inspectors;
- Tripartite meetings were held with *PJ* and *SA* in May and October 2010 to have discussion particularly on improved procedures to facilitate information exchange and operational coordination, as well as ways of improving the compilation of statistics furnished by both agencies;

4.4 Courtesy Visit to Reporting Entities

During 2010, *GIF* have paid courtesy visit to 12 financial institutions. The objectives of these visits are mainly divided into 4 areas: i) Brief the overall work performed by *GIF* since establishment and the reporting quality on STRs from the reporting entities; ii) Demonstrate the statistical data and provide updated trends and typologies; iii) Introduce the existing feedback system to ensure close communication with reporting entities and iv) Promote the use of electronic STR filing system, especially the upcoming online reporting system. In the coming year, *GIF* will continue to pay courtesy visit to both financial institutions and gaming operators to raise their awareness on money laundering and terrorist financing risks, and introduce the international trends on AML/CFT.

4.5 International Cooperation

In order to implement inter-regional agreements and other instruments of international law, and to cope with the requirements of international standards, *GIF* has taken continuous efforts to establish cooperation relationship with other countries and territories. In the past few years, *GIF* has signed memoranda of understanding (MOUs) with FIUs in Mainland China, Hong Kong, Portugal, Korea, Indonesia and Philippines. New MOU signing is in progress with countries like Malaysia, Japan, United States, Singapore, Thailand and Sri Lanka. The table below shows the statistics on information exchange with counterparts:

Statistic Data of the Information Exchange

	2010
Incoming Request of Information	29
Outgoing Request of Information	118
Intelligence Received	8
Intelligence Sent	0

Apart from the bilateral relationship developed, *GIF* also received several guests from different countries and territories in the year, including those from the US, Australia, Angola, Korea and Vietnam. Topics discussed include the mutual interests of both parties, opportunities to provide trainings in Macao, as well as a general understanding of the legislations in Macao and the functions of *GIF*.



▲ GIF received the technical assistance from IMF in March



▲ GIF received the officials from the FIU of Korea in July



▲ GIF received the representatives from the U.S. Department of Treasury Hong Kong in September

In September, the Director of *GIF* and two analysts visited the China Anti-Money Laundering Monitoring and Analysis Center (CAMLMAC) to share information on statistics of STR, the recent trends and typologies of money laundering, and to enhance the bilateral cooperation between the two jurisdictions.



▲ The Director and the analysts visited CAMLMAC in Beijing

4.6 Training

Local Training for GIF Staff and Other Government Agencies

During 2010, *GIF* continued with the local training for its staff:

March The Director of *GIF* participated in the ‘Advanced Course of the Basic Law of Macao SAR’ jointly organized by the Public Administration and Civil Services Bureau of the Macao SAR government, the ‘One Country Two Systems’ Research Centre, Macao Polytechnic Institute and the Macao Basic Law Promotion Association. The course covers the theory and principles underlying “One Country, Two Systems”, “Administration of Macao by Macao people”, and the high degree of autonomy over executive, legislative and independent judicial power, relationships between the Central Government of PRC and Macao, Macao’s political system and democratic rights and construction of civil society. The organizers’ aim is to enable the students to combine their knowledge of the actual environment with their experience, to implement Basic Law in policy making and to generally enhance the government’s legislative and administrative management abilities.

May The director and 4 analysts attended the “4th Annual Seminar on Anti-Money Laundering and Combating of Financing Terrorism” held by *AMCM*. This seminar aimed at sharing its common issues identified during its on-site inspections as well as trends and typologies in AML/CFT areas. Representative from HSBC was also invited to have a presentation on the topic “Update on International Commercial Banks’ Practices on AML and CFT”.



▲ *GIF* and the Banking Supervision Department of *AMCM* co-organized “AML/CFT Seminar for Macao Financial Sector”

**July/
August**

The Director and 1 analyst of *GIF* attended a course and a seminar provided by the Government Information Bureau in July and August respectively. The course and seminar aimed at equipping the representatives or spokespersons with the skills used during press release and how to build up a good relationship with the media.

September *GIF* arranged a 4-day course titled “Workshop on the Interdiction and Investigation of Cross Border Bulk Cash Smuggling” for local law enforcement agencies. It was co-organized by *GIF* and the U.S. Department of Homeland Security, Immigration and Customs Enforcement (ICE) with Customs and Border Protection (CBP). Representatives from *MP*, *SPU*, *PJ* and *SA* participated in this workshop. The speakers introduced the methods on investigating cross border bulk cash smuggling and conducted a role play exercise to deepen the understanding of the participants.



▲ A 4-day course named “Workshop on the Interdiction and Investigation of Cross Border Bulk Cash Smuggling” was co-organized by *GIF* and the U.S. Department of Homeland Security, Immigration and Customs Enforcement (ICE) with Customs and Border Protection (CBP) in Macau

November Legal and Judiciary Training Centre organized a seminar titled “Money Laundering – International Standards Against Money Laundering and Their Implementation in the Macao SAR”. It is the second EU-Macao cooperation programme in the legal field. This programme is co-financed by the European Union and the Macao Foundation. There were about 70 participants enrolled for this seminar and *GIF* arranged 4 analysts to attend the seminar. It covered origins, concepts and different components of money laundering control, implementation of money laundering control in selected civil and common law jurisdictions. The crime of money laundering and financing of terrorism in Macau law was also discussed in the seminar.

Apart from the training mentioned above, continuous in-house training sessions were conducted from time to time by the Director and the senior analysts during 2010 to train up new analysts and to share with colleagues their knowledge acquired from overseas trainings.

Overseas Training for GIF Staff

In order to continue the development of specialist knowledge of its own staff and of other law enforcement agencies, *GIF* had arranged and participated in a number of training seminars organized by overseas entities in 2010.

June “Regional Basic Analytical Skills Workshop” was organized by Bank Negara Malaysia in collaboration with the Australian Transaction Reports and Analysis Centre, was held from 28th to 30th June 2010 in Kuala Lumpur. Including 1 analyst from *GIF*, there were a total of 20 participants from 9 different jurisdictions attending the workshop. This workshop aimed to enhance the competency of FIU officers in analyzing suspicious transaction reports, the understanding of the Malaysia and the Australia’s legal and institutional framework in combating ML/TF as well as the implementation and enforcement aspects.

July One analyst from *GIF* participated in the 1-week “Complex Financial Investigation Course” organized and held by the International Law Enforcement Academy Bangkok (ILEA-Bangkok) in Bangkok Thailand from 19th to 23rd July 2010. There are altogether 62 participants from 13 jurisdictions, and delegates from Macao included one representative from *PJ*. The course is designed to provide participants with a better understanding of the current investigative techniques adopted to carry out a complex financial investigations relating to international criminal activities. AML laws within Southeast Asian jurisdictions were also discussed.

**October/
November** Two analysts from *GIF* and delegates from the *PJ* and the *CCAC* attended the English and Cantonese sessions of the “Financial Investigation Course 2010” in October and November respectively. The course, organized by the Hong Kong JFIU, lasted for five days and attracted around 100 delegates from 12 countries/regions. It was designed to provide participants with an overview of law and current issues related to money laundering and financial investigations, with special emphasis on Hong Kong’s Anti-money Laundering Regime. It was also a good opportunity for participants to establish an international financial investigators’ network.



The analyst attended the “Financial Investigation Course 2010” organized by the Hong Kong JFIU



December *GIF* arranged one analyst to participate the 5-day course titled “Regional Advanced Analytical Skills Workshop” held by Bank Negara Malaysia, in collaboration with Qatar FIU, HKJFIU, CAMLMAC, Thailand AMLO, the HM Revenue & Customs of the UK, Australia AFP and Indonesia INTRAC, in Kuala Lumpur. There were altogether 25 participants from 12 jurisdictions and delegates from Macao also included 1 representative from the *CCAC*. This course aimed to enhance the competence of officers of Financial Intelligence Units and Law Enforcement Agencies in analyzing and investigating STRs. The course focused on analyzing STRs and conducting investigation techniques relating to high complexity cases, in particular those involving organized and syndicated crimes all over the world, particularly in Asia and Europe.



▲ One analyst of *GIF* participated in the Regional Basic Analytical Skills Workshop in Kuala Lumpur

In 2011, *GIF* will continue to delegate analysts to participate in trainings or workshops related to AML/CFT organized by international bodies or other FIUs, so that analysts can acquire more advanced financial analysis techniques, at the same time establishing more contact points with other jurisdictions.

Training for Private Sectors

In an effort to assist the public and the business sector to understand the new anti-money laundering infrastructure and to explain its functions, operations and competence, *GIF* held presentations and seminars over the past year as below:

February The Insurance Supervision Department of *AMCM* organized a seminar for insurance sector to brief about the “Guidelines on Prevention and Combating Money Laundering and Financing of Terrorism in Insurance”. *GIF* was invited to give a presentation on AML/CFT issues in the seminar. There were about 120 insurance agents attending the seminar, which aimed to give the participants a thorough understanding of the AML/CFT laws and guidelines in order to enhance their professional knowledge. *GIF* introduced to the participants the functions of *GIF*, STR statistics, guidelines for STR form-filling and share with them the current trend and typologies in relation to insurance sector.



▲ *GIF* and the Insurance Supervision Department of *AMCM* co-organized the seminar “Guidelines on Prevention and Combating Money Laundering and Financing of Terrorism in Insurance”

**March/
April**

GIF was invited by AIA to provide AML/CFT training for its agents at its headquarter. The training was provided in two sessions in March and April. There were more than 200 insurance agents from AIA attending these two sessions. The presentation mainly covered the concepts and definition of money laundering and financing of terrorism, *AMCM* guidelines on AML and CFT, risk management strategies and case discussion.



▲ The Director and the analysts spoke in the AML/CFT training sessions held by AIA

In April, a seminar was provided by the Director of *GIF* in the Legal and Judiciary Training Centre, which covered the AML/CFT law, the functions of *GIF*, STR analysis, the APG assessment results and international cooperation.

May

GIF and the Banking Supervision Department of *AMCM* organized “AML/CFT Seminar for Macao Financial Sector” to give a presentation on AML/CFT issues in the seminar. There were about 220 compliance officers of financial institutions participating in the seminar, which aimed to give the participants a thorough understanding of the AML/CFT laws and guidelines in order to enhance their professional knowledge. *GIF* introduced to the participants the functions of *GIF*, STR statistics, recent trends and typologies of money laundering cases, training and public awareness, as well as the electronic STR reporting system.

**May to
September**

Training is important for the private sectors to raise their awareness and strengthen their knowledge on AML and CFT issues. *GIF* responded to the requests to provide in-house training to three banks and one casino, namely Bank of China, Tai Fung Bank, Weng Hang Bank and Galaxy. Training was provided to both the operation and management level. *GIF* introduced the basic concepts of ML and TF, STR statistics, typologies and frequently observed indicators to the front-line staff. As for the management level, the Director of *GIF* explained the application of risk based approach on customer due diligence, its risk assessment and the corresponding risk management.

In September, China Union Pay organized a seminar on money laundering and the Director of *GIF* was invited to give a presentation on mitigation of money laundering risks associated with new payment technologies.



▲ The Director and the analyst were invited by Bank of China to speak in a seminar related to AML/CFT issues



▲ The Director was invited by Galaxy Macau to speak in a seminar related to AML/CFT issues



▲ The analysts promoted awareness of AML in a seminar organized by Tai Fung Bank

October

GIF was invited by *DSE* to provide an AML/CFT seminar titled “Guidelines on Prevention and Combating Money Laundering and Financing of Terrorism” to the real estate agents. The aim was to educate the agents the concepts of money laundering and financing of terrorism and their obligation to report suspicious transactions. *GIF* introduced its functions and the legal framework on AML/CFT. Discussion of case typologies was the highlight of this presentation.

In the same month, at the invitation of the Macao Institute of Financial Services (IFS), *GIF* co-organized with *AMCM*, *PJ* and *DICJ* to give a two-day AML/CFT training to the staff of BOC at the premise of IFS. There are a total of 60 attendants in this training. The Director and 3 analysts of *GIF* introduced to the participants the AML typologies and trends in the financial and gaming sectors. *AMCM* and *DICJ* explained to the participants about their AML/CFT guidelines and their role as a supervisory authority, while *PJ* shared with them their criminal investigation procedures and some interesting cases.



▲ The analyst was invited by *DSE* to speak in the seminar titled "Guidelines on Prevention and Combating Money Laundering and Financing of Terrorism"



▲ *GIF* co-organized with *AMCM*, *PJ* and *DICJ* to give a two-day AML/CFT training at the premises of Macao Institute of Financial Services (IFS).

In the coming year, *GIF* will continue to cooperate with other supervisory agencies to organize more AML/CFT seminars or workshops for different private sectors. In fact, seminars to financial institutions are on-going in early 2011.

4.7 Public awareness

Website Updates

GIF has been putting continuous effort to renovate its website. As usual, the website of *GIF* serves as a platform for the public to access the latest news about *GIF* and the recent AML/CFT development in Macao, as well as providing the latest publications issued by *GIF* e.g. the annual reports of *GIF*, newsletters for different industrial sectors of the reporting entities, information on financial intelligence units with which *GIF* has signed MOU/Coop-

eration agreements, APG/OGBS Mutual Evaluation Report and the news updates about *GIF* activities. To better enhance effective circulation of information and reference materials among the AML Working Group members, a new intra-Working Group information system was launched in 2010. A collection of update information from international organizations, mainly FATF and APG, were provided to members of the Government Anti-Money Laundering Working Group via this inter-departmental web link, which is only available to Working Group members. Members could also access the internal documents circulated by the APG Secretariat to all members via this secured website.

During the year 2010, apart from improving the website security and convenient access, *GIF* has been working on another important feature of the website – the submission of online STRs via the website. The testing phase of the online reporting system had been finished and *GIF* had invited a number of reporting entities (including financial institutions and gaming concessionaires) to conduct mock data testing in 2010. This system will be launched in early 2011 .

Issuing Newsletter

In 2010, *GIF* kept on its efforts to issue publications to the public and reporting entities to inform them of the latest AML/CFT news and recent trend of money laundering methods. *GIF* continued to issue newsletters semi-annually, and the third issue of newsletter for the financial sector and the second issue for the gaming sector were published in May 2010. The fourth issue of newsletter for the financial sector and the third issue for gaming sector were published in October 2010 to present information on STR statistics, relevant case studies and international trends and developments.

GIF is aware of the importance of statistics and typologies and has been working on the collection of information on financial and commercial activities for analytical purposes and to identify trends and areas which may be or have become vulnerable to money laundering or the financing of terrorism. *GIF* will continue to share the relevant findings with the public by means of newsletters or other publications in the coming year.

4.8 Attending International Conferences

In 2010, representatives of *GIF* attended several international conferences with details listed as follows:

March

The legal consultant of *GIF* attended the Egmont Working Group and Committee meetings in Port Louis, Mauritius. The meeting was attended by 136 delegates from 50 Egmont Group FIUs, one Candidate FIU and four international organizations. The Egmont Committee met during the Mauritius Working Group meetings and discussed a number of significant issues in relation to the long term planning of the Egmont Group. The delegate of *GIF* joined the Legal Working Group meeting which discussed some contentious practices of information exchange between Egmont member FIUs, in which the *GIF* delegation was invited to present an update on the status of Macao and explained about the structure and term of office of *GIF*.



▲ The legal consultant of *GIF* attended the Egmont Working Group and Committee meetings in Port Louis, Mauritius

June

At the end of June, the Director and legal consultant of *GIF* attended the 18th Plenary Meeting of the Egmont Group held in Cartagena, Colombia. There were over 230 participants representing FIUs from 90 jurisdictions and 11 regional and international bodies who worked to combat money laundering and terrorism financing. In the meeting, 4 new member FIUs from Afghanistan, Cameroon, Ivory Coast and Uruguay were admitted to the Egmont Group, which increased the number of members to 120 and strengthened the global network of information sharing in areas of particular strategic significance.



▲ The Director and the legal consultant of *GIF* attended the “18th Plenary Meeting of the Egmont Group” held in Cartagena, Colombia

July

The Director of *GIF*, legal consultant and one analyst, together with 9 representatives from *AMCM*, *DICJ*, *GADI*, *PJ*, *SA* and *SPU* attended the Plenary Meeting of APG held in Singapore.

Members from Mainland China also joined this 5-day meeting and Mainland China was nominated to be the Co-chair of APG in 2012-2014. The main issues considered and decided upon by members at the Annual Meeting included the International Cooperation Review Group (ICRG) issues, APG mutual evaluation and other assessments and revised mutual evaluation (ME) follow-up procedures. Besides, during the APG Annual Meeting, the director of *GIF* was invited to take up the role of the Regional Review Group (RRG) Co-chair for the FATF ICRG process. After obtaining approval from the Secretary for Economy and Finance, the invitation was accepted.



▲ The Director, legal consultant and analyst with the Macao SAR Government Delegation attended the 2010 Plenary Meeting of APG held in Singapore

September The Director of *GIF* joined the face-to-face meetings held by the RRG under the FATF's International Co-operation Review Group (ICRG) in Sydney, Australia. The meetings were an integral part of the ICRG process and the RRG Co-chairs of Asia Pacific met with the individual jurisdictions under FATF Targeted Review process. Before taking up the RRG Co-chair post for the coming year, the director of *GIF* participated in relevant RRG meetings in order to better understand the operation of RRG, the situation of the jurisdictions under review and the responsibility of the RRG Co-chairs.

October At the end of October, 6 representatives from *GIF*, *AMCM*, *DICJ*, *DSE* and *SPU* attended the APG Typologies Workshop 2010 in Dhaka, Bangladesh. The workshop lasted for 4 days and was attended by 180 delegates from different jurisdictions and international organizations. It involved experts from across the Asia/Pacific regions to discuss vulnerabilities, methods and trends in money laundering and terrorist financing. The workshop was divided into 3 breakout session groups to discuss various topics such as money laundering associated with large-scale transnational frauds, NPOs and terrorist financing vulnerabilities, and a joint session for "ML and human trafficking" and "Anti-corruption and AML".

The legal consultant and one analyst of *GIF* joined the Egmont Working Group and Committee Meetings held in Chisinau, Moldova. There were about 150 participants from 116 member jurisdictions around the world who joined the meetings. The delegations of *GIF* participated in the Legal Working Group and Operational Working Group meetings. Projects on typologies and enhancement for information exchange, the impact of financial crisis in money laundering, the impact of having tax crimes as a predicate offence for money laundering were discussed. Special attention in this meeting was given to the use of new tools of information technology in preventing and combating the phenomena of money laundering and terrorism financing. The meeting discussed the idea of setting minimum standards in terms of security and information storage for all the member states. This meeting provided an excellent opportunity for delegates from different jurisdictions to exchange ideas and experiences, as well as developing contacts with other FIUs.



▲ The analysts and the Macao SAR delegation attended the APG Typologies Workshop 2010 in Dhaka, Bangladesh



▲ The legal consultant and one analyst of *GIF* joined the Egmont Working Group and Committee Meetings held in Chisinau, Moldova.

As a member of APG and Egmont Group, *GIF* will continue to participate in the conferences, workshops or trainings provided by these AML/CFT international bodies in the coming year, aiming to capture the latest trends and share experiences between different jurisdictions in the AML/CFT regime.

CHAPTER V ADMINISTRATION

5.1 Procurement of AML/CFT Analytical Tool

Since 2008, *GIF* has been undertaking a procurement project on AML/CFT Analytical Tool, which aims to enhance *GIF*'s existing IT system in analyzing STRs. Once installed and integrated, the new Analysis System will become a powerful tool that allows *GIF* to adopt a risk-based approach in analyzing complex suspicious transactions and sophisticated relationships, as well as consummating the existing management reports and feedback system.

In 2010, *GIF* had completed the formal tender procedures. Several meetings had been held with the successful bidder in determining all specifications and other necessary arrangements on integration. Training programs had also been held for all analysts and IT technical staff. The first phase of testing was underway in the end of 2010 and it is anticipated that the new Analysis System will be installed and implemented in early 2011.

5.2 Electronic STR Filing and Online STR Reporting

In 2010, *GIF* continues to receive electronic STRs (eSTR) via encrypted email. Although the number of reporting entity that use this service remains the same as 2009 (i.e. 5 Financial Institutions and 2 Casino Operators), the number of eSTRs received has almost doubled up. For the year 2010, a total of 114 eSTRs were received and there is an increase of 176% as compared with 2009. This emerging trend proves that eSTRs has been widely accepted by the reporting entities as a fast and convenient way to submit STRs, while the data encryption technologies also ascertain the security of data transfer.

Aside from the eSTR filing system, *GIF* has been developing the online reporting system throughout the years. Through this online reporting system, reporting entities can simply access an online STR form via *GIF*'s website, fill in details of suspicious transactions and attach supplementary files (if any). The encrypted information will be sent to *GIF* through a secured channel to ensure best security of data transfer. In late 2010, *GIF* has invited several financial institutions and casino operators to test the online reporting system and the results were satisfactory. It is expected that the online reporting system will be launched and implemented in first quarter of 2011.

5.3 Upgrade of information security and management

To maintain an effective and comprehensive database is a critical and indispensable duty for *GIF*. Throughout these years, *GIF* continued to invest resources in order to enhance its information system with more functionalities, better system integration, higher security levels and phase of confidentiality.

GIF has integrated the STR database with Documentary Management System and continued to enhance the automatic operational procedures, particularly for STR data analysis. This not only helps to improve the confidentiality on data management, but also the efficiency on analyzing process.

At the same time, *GIF* has replaced and upgraded the fundamental systems according to the planned schedule. These systems include the Uninterruptible Power Supplies, Security system, Integrated Intrusion Prevention system and Electronic Mail Filtering system.

In 2010, *GIF* endeavors to further enhance its information systems through the deployment of Fiber SAN storage, which increases the overall security of data storage as well as upgrades the processing and loading capability of system. The implementation of server virtualization system also provides higher flexibility in resource management. All these implementations aim to maintain a stable, secured and reliable information system environment to incorporate *GIF*'s requirements in handling important and sensitive data.

CHAPTER VI CHALLENGES AND PROSPECTS

Challenges

Fund flow and new technologies

With the efforts of different sector and support from the Central Government of PRC, Macao has seen a great year of recovery from the financial crisis since 2008. Year-on-year GDP growth was over 30%, a record high since 2007. Concrete improvements are seen in aggregate retail values and import/export of goods and services, which is due to the increase of tourists from China, Hong Kong and other parts of the world. Unemployment rates hit the low in this year, indicating a full recovery.

Increase in tourists also implies a surge in fund flows, either inward or outward. To cater for the retail need of customers and with the introduction of new technologies, banks collaborate with the retail sector and introduce various financial products for the convenience of tourists and locals in everyday spending. These financial products or services, which cover new functions added to cards, remittances and internet banking, also allow easier flow of funds among banks and increase the liquidity of the market. However, the more fluid flow of funds also exposes new loopholes that have never existed before, which poses new challenges from a supervisory perspective.

For this a major task of *GIF* in the coming years is to observe the development of the market in terms of new payment methods or new technologies, and assess the inherent risks of these new products or services and their implications to the local ML/TF risks. In fact international bodies have also been performing studies on possible ML risks of various new technologies as applied in financial environment. *GIF* thus has the duty to keep track of the latest developments and introduce to the local community their findings and suggestions to mitigate that type of risks.

Response to new requirements

A major challenge of *GIF*, as well as the whole AML/CFT regime of Macao, is again in the preparation of the next mutual evaluation, which mainly concerns the further amendment of the AML/CFT laws.

As mentioned in the previous Annual Report, in response to the G20 Leaders' request in April 2009, FATF has required higher transparency in financial transactions, in particular those involving beneficial ownership and legal persons. Also, cross border exchange of information, including those about tax crimes, will also be enhanced. The International Co-operation Review Group (ICRG) under FATF has taken stronger actions against jurisdictions that do not meet the standards and more than 10 of them in Asia are currently subject to prima facie or targeted review by the Regional Review Group under the ICRG, and counter measures will be applied to them if they fail to address adequately the strategic deficien-

cies in relation to their AML/CFT framework within the timeline of the action plan agreed with the ICRG. Macao, though having a satisfactory result in her last ME, has no room for complacency. She needs to be more prudent towards her deficiencies and to take necessary steps to rectify them.

The main theme of next round of ME will be the effectiveness of implementation of AML laws and requirements. In 2011, *GIF* will thus more closely liaise with other government agencies concerned to ensure that existing AML laws and guidelines are properly implemented.

Training, Liaison Projects and International Participation

2010 has seen a surge in AML training sessions provided to the private sectors, covering financial institutions, insurance company and gaming concessionaires. That proves the industries really consider AML a crucial topic in their risk management and is an encouraging sign for *GIF*. Together with the publication of education materials, *GIF* would continue to provide support to the industries with training sessions that give good opportunities for the exchange of ideas and experience.

Cooperation with regulatory authorities such as *AMCM*, *DICJ* and *DSE* is an integral part of our AML efforts. In the past year *GIF* has cooperated with *DSE* to give an explanatory session of revised guidelines for the real estate sector, and collaboration with *AMCM* to deliver seminars has been an indispensable yearly event. There were also cooperation incidents with various agencies in other formats. *GIF* treasures all these cooperation opportunities and will continue to maintain such good efforts.

2011 will be another busy year for *GIF* from the 'international' point of view. With the Director's assumption of duties as the co-chair of the Regional Review Group, *GIF* is getting more involved in the work of APG. Although new challenges arise in terms of workload, *GIF* would take this as a precious opportunity for learning about the operation of assessment processes from a higher perspective. Participation in the APG and Egmont Group will of course be part of the agenda, and signing of memorandum of understanding will continue.

New Aims

In this year the new Online STR System may bring a gradual change to the reporting environment. It is encouraging that some reporting entities have already expressed interest in this system. Because of the proximity of Macao, reporting entities might still prefer traditional ways of passing STRs to *GIF*, but we have the confidence that the culture would change when the Online System proves itself as a safe and efficient way of submitting data.

There have been voices in international level about the addition of new functions to the FIU. *GIF* will pay close attention to it and consider its implications to the whole AML regime.

Initial experience with the RRG shows that international bodies have taken a different approach in conducting assessments on jurisdictions, which is less comprehensive but more focused in some specific areas and requiring much details in different aspects. *GIF* and the AML working group members have been tightening up lax areas with proposal for law amendment made. It is trusted that it could fulfill the new requirement, but *GIF* will remain mindful about any new development.

Close cooperation and communication have proved themselves as the main elements of success in the fight against money laundering and terrorist financing, which *GIF* and other stakeholders, be they in the public or private sector, in that endeavor could not deny. The AML regime would not have achieved so much without these two elements, and their importance would still remain.

APPENDIX – GLOSSARY

AMCM	Monetary Authority of Macao (<i>Autoridade Monetária de Macau</i>)
AML/CFT	Anti-money Laundering / Countering the Financing of Terrorism
APG	Asia / Pacific Group on Money Laundering
AAM	Macao Lawyers Association (<i>Associação dos Advogados de Macau</i>)
AUSTRAC	Australian Transaction Reports and Analysis Centre
ACAMS	Association of Certified Anti-Money Laundering Specialists
BVI	British Virgin Islands
CCAC	Commission Against Corruption (<i>Comissariado contra a Corrupção</i>)
CBP	Customs and Border Protection
CDD	Customer Due Diligence
DICJ	Gaming Inspection and Co-ordination Bureau (<i>Direcção de Inspeção e Coordenação de Jogos</i>)
DSAJ	Legal Affairs Bureau (<i>Direcção dos Serviços de Assuntos de Justiça</i>)
DSE	Macao Economic Services (<i>Direcção dos Serviços de Economia</i>)
DSF	Financial Services Bureau (<i>Direcção dos Serviços de Finanças</i>)
DSEC	Macao Statistics and Census Service (<i>Direcção dos Serviços de Estatística e Censos</i>)
DMS	Documentary Management System (<i>Sistema de Gestão Documental</i>)
E-STR	Electronic Suspicious Transaction Report
E-sign	Electronic Signature
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FinCEN	Financial Crimes Enforcement Network
FSRB	Financial Action Task Force – Style Regional Bodies
GADI	International Law Office(<i>Gabinete para os Assuntos de Direito Internacional</i>)
GIF	Financial Intelligence Office (<i>Gabinete de Informação Financeira</i>)
HMRC	HM Revenue & Customs
ILEA	International Law Enforcement Academy
ICE	Immigration and Customs Enforcement
IRS - CID	Criminal Investigation Division of Internal Revenue Service
IMF	International Monetary Fund
IPIM	Macao Trade and Investment Promotion Institute (<i>Instituto de Promoção do Comércio e do Investimento de Macau</i>)
JFIU	Joint Financial Intelligence Unit of Hong Kong Police Force
MOU	Memorandum of Understanding
MP	Public Prosecutions Office (<i>Ministério Público</i>)
MER	Mutual Evaluation Report
NC	Non- compliant
NPO	Non-profit Organization

NGO	Non-government Organization
OGBS	Offshore Group of Banking Supervisors
PJ	Judiciary Police (<i>Polícia Judiciária</i>)
PC	Partially Compliant
Macao SAR	Macao Special Administrative Region
SPU	Unitary Police Service (<i>Serviços de Polícia Unitários</i>)
SA	Macao Customs Service (<i>Serviços de Alfândega</i>)
STR	Suspicious Transaction Repor
SAFP	Public Administration and Civil Service Bureau (<i>Direcção dos Serviços de Administração e Função Pública</i>)
SEF	Secretary for the Economy and Finance (<i>Secretário para a Economia e Finanças</i>)
UNODC	United Nations Office on Drugs and Crimes
UIF	Financial Intelligence Unit of Portugal (<i>Unidade de Informação Financeira</i>)