



## **Overview of IPA Anti-Money Laundering Project**

### **1.0 Introduction**

The Investment Promotion Authority is undertaking an important study related to PNG's international anti-money laundering/anti-terrorist financing compliance and your assistance is respectively requested. IPA has been tasked with this work by the Financial Analysis and Supervision Unit (FASU) under the Strategic Implementation Plan (SIP) endorsed by the National Coordinating Committee on AML/CTF matters.

International anti-money laundering mandates grow ever more stringent each year. The Financial Action Task Force (FATF) is the intergovernmental organization that leads global action to combat money laundering and terrorist financing (ML/TF). FATF oversees the Asia-Pacific Group (APG), a regional body that conducts assessments of countries called Mutual Evaluations. The Mutual Evaluation Reports (MERs) make country-specific recommendations on how to increase compliance with ML/TF standards. These standards are set out in a series of Recommendations issued by FATF. The failure to comply with the FATF Recommendations can lead to dire consequences as a country can be “grey-listed” or even “black-listed” for the worst offenders that fail to follow the Recommendations. A country that is grey-listed may face economic sanctions from international bodies such as the IMF and World Bank. It may also find it difficult to maintain overseas banking arrangements, settle cross-border transactions, obtain credit and attract foreign investment.

APG published its most recent MER of PNG in September 2024. Unfortunately, PNG as a whole received only a “Partially Compliant” rating and was found to have a low level of effectiveness in monitoring ML/TF risks. This is the lowest rating a country can have before being grey-listed. Urgent action is required by PNG to avoid being placed on the grey list.

One of the actions that PNG must take is to complete a “Legal Persons Assessment” that examines the ML/TF risks posed by all incorporated legal entities recognized under PNG law. This is the work that IPA has been assigned to complete.

A key factor in assessing compliance with international AML standards is whether a legal entity is required to maintain beneficial ownership information about its owners. A “beneficial owner” is a person who ultimately owns or controls an entity, even if that person is not named in

the official records of the entity or in the government-run register. A beneficial ownership arrangement often arises where a non-citizen enlists local persons to be named as the official members of a local entity, but the non-citizen actually controls the entity and receives its profits.

The specific topics to be covered in the Assessment include:

- Listing the specific legislative authority for each incorporated entity type;
- Obtaining statistical information for each entity type, such as how many active entities there are each year (and how many new ones were incorporated each year as well as any that were struck off);
- Setting out the requirement to legally form each entity under the law, including whether all owners are named and whether there is any requirement to disclose beneficial owners;
- Analyzing what type of register is maintained for each entity, including whether it is paper-based or either partially or fully electronic;
- Whether any entity has been convicted of or deeply involved in crimes that violate international ML/TF laws or have committed predicate crimes. The term “predicate crimes” refers to an underlying criminal offense whose proceeds can become the target of money laundering, terrorist financing, or related illicit activities. In other words, a predicate crime is the original or foundational offense that generates illicit funds. Examples of predicate crimes includes: drug trafficking, fraud, corruption, tax evasion, human trafficking, and smuggling.

IPA will be sending out questionnaire to targeted stakeholders that may have information on incorporated entities in the coming weeks. If you receive such a questionnaire your cooperative in answering will be greatly appreciated and will help PNG in its compliance efforts. The results will be published in a formal Legal Persons Assessment that, hopefully, can be finalized by the end of 2025.