



Regional: Developing Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Approaches, Methodologies and Controls for Nonbanking Financial Institutions

Project Name	Developing Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Approaches, Methodologies and Controls for Nonbanking Financial Institutions
Project Number	48359-001
Country	Regional
Project Status	Active
Project Type / Modality of Assistance	Technical Assistance
Source of Funding / Amount	<p>TA 8719-REG: Developing Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Approaches, Methodologies and Controls for Nonbanking Financial Institutions</p> <p>Technical Assistance Special Fund US\$ 225,000.00</p>
Strategic Agendas	Inclusive economic growth
Drivers of Change	Governance and capacity development Knowledge solutions
Sector / Subsector	Finance - Banking systems and nonbank financial institutions
Gender Equity and Mainstreaming	No gender elements
Description	<p>This technical assistance project will develop AML/CFT approaches, methodologies, and controls for nonbanking financial institutions through three outputs:</p> <ol style="list-style-type: none"> 1. Development and design of the proposed AML/CFT approaches, methodologies and controls in the form of a manual or handbook (including e-versions). 2. Design of related training modules. 3. Capacity building for implementation of the developed AML/CFT approaches, methodologies and controls for selected ADB partners.
Project Rationale and Linkage to Country/Regional Strategy	<p>A significant percentage of some 180 million poor households in the Asia and Pacific Region still have little access (even the most basic) to institutional financial services. Moreover, a recent World Bank study found that 200 million micro to medium enterprises in developing economies lack access to affordable financial services and credit. These groups are forced to seek alternative channels of funding and lending, such as informal providers, in-kind savings, and cash transactions, with high risks and high monetary as well as transaction costs.</p> <p>Nonbank financial institutions (NBFIs) serve as valuable option to banks by providing financial services to boost economic activity. NBFIs have expanded rapidly since the 2008-2009 global financial crisis. However, they increase systemic risks to the financial system because they are not subjected to the same degree of regulation and supervision. When NBFIs are not supervised by a competent agency, their loan granting process may be influenced by unethical and imprudent practices. Also, the rising share of NBFIs in the credit market can lead to underpricing of credits risks and unreasonably high credit-deposit ratio which may make the financial system vulnerable. With the establishment of the Financial Action Task Force (FATF), it becomes imperative for financial institutions, including nonbank financial institutions to comply with regulations on AML/CFT. This requirement can have serious implications for financial institutions that serve low-income clients, especially in developing countries. Moreover, the FATF 40+9 Recommendations require financial institutions to apply a risk-based approach to identify, assess, and take effective measures to mitigate the risks associated with money laundering and the financing of terrorism. Therefore, it is critical for NBFIs to improve their capacity.</p>
Impact	Improved AML/CFT controls by nonbanking financial institutions in selected DMCs.

Project Outcome

Description of Outcome	Strengthened capacity of NBFIs to comply with the requirements of AML/CFT regulations.
Progress Toward Outcome	
Implementation Progress	
Description of Project Outputs	Manual or handbook (including e-versions) on AML/CFT approaches, methodologies, and controls for NBFIs developed. Self-driven interactive training modules developed with corresponding PowerPoint presentations (with testing at the end of the module). Pilot workshops conducted for trainers comprising of selected ADB partners.
Status of Implementation Progress (Outputs, Activities, and Issues)	Two training workshops were conducted in Manila. The first from 4 _ 9 October 2015 included 13 participants from Indonesia, Vietnam and the Philippines. A second workshop was held from 12 _ 16 October 2015 included 17 participants from Bangladesh, Bhutan and Pakistan. NBFIs invited to participate in both workshops included money service business providers and micro-finance institutions (or Government agencies representing micro-finance institutions). Representatives from other government agencies (e.g. supervisory authorities, law enforcement and Financial Intelligence Units) also participated in both workshops. The second workshop also included representatives from the securities and insurance sectors in Bhutan. Two country workshops were held in Bhutan and Viet Nam in May 2016. The AML/CFT handbook has been published in March 2017 while the e-learning module has been launched in May 2017. Three AML/CFT workshops were conducted in three locations in the Philippines ---Pampanga (January 2017), Cebu City (March 2017), and Iloilo City (June 2017) for money service businesses, in collaboration with the Anti-Money Laundering Council of the Philippines and Bangko Sentral ng Pilipinas.
Geographical Location	

Summary of Environmental and Social Aspects

Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
Stakeholder Communication, Participation, and Consultation	
During Project Design	
During Project Implementation	

Business Opportunities

Consulting Services	An international firm will provide expertise in developing and designing the manual and training modules, and conducting at least two capacity building activities on AML/CFT approaches, methodologies, and controls. The firm will be selected in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended).
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Responsible Staff

Responsible ADB Officer	Villareal, Ma. Mildred R.
Responsible ADB Department	Office of Anticorruption and Integrity
Responsible ADB Division	Office of Anticorruption and Integrity
Executing Agencies	<i>Asian Development Bank 6 ADB Avenue, Mandaluyong City 1550, Philippines</i>

Timetable

Concept Clearance	-
Fact Finding	-
MRM	-
Approval	15 Sep 2014
Last Review Mission	-
Last PDS Update	04 Jul 2017

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Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
15 Sep 2014	-	15 Sep 2014	30 Apr 2016	31 Aug 2017	-

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
225,000.00	0.00	0.00	0.00	0.00	0.00	225,000.00	15 Sep 2014	215,970.55

Project Page

<https://www.adb.org/projects/48359-001/main>

Request for Information

<http://www.adb.org/forms/request-information-form?subject=48359-001>

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