



Technical Assistance Report

Project Number: 50258-001
Cluster—Regional—Capacity Development Technical Assistance (C-R-CDTA)
December 2016

Developing Anti-Money Laundering and Combating the Financing of Terrorism Approaches, Methodologies, and Controls

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
AML	–	anti-money laundering
CDD	–	customer due diligence
CFT	–	combating the financing of terrorism
DFI	–	domestic financial institution
DMC	–	developing member country
DNFBPs	–	designated nonfinancial businesses and professions
FATF	–	Financial Action Task Force
NBFI	–	nonbank financial institution
OAI	–	Office of Anticorruption and Integrity
TA	–	technical assistance
UBO	–	ultimate beneficial ownership

NOTE

In this report, "\$" refers to US dollars.

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CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 50258-001	
Project Name	Developing Anti-Money Laundering and Combating the Financing of Terrorism Approaches, Methodologies, and Controls	Department /Division	OAI/AIOD-DU
Country	REG, BHU, MON, PNG, PHI, MYA, TAJ, VIE	Executing Agency	Asian Development Bank
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Finance	Banking systems and nonbank financial institutions		2.00
		Total	2.00
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Low
Environmentally sustainable growth (ESG)	Eco-efficiency		
Regional integration (RCI)	Pillar 3: Money and finance		
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Anticorruption	No gender elements (NGE)	✓
Knowledge solutions (KNS)	Knowledge sharing activities		
Partnerships (PAR)	Implementation		
Private sector development (PSD)	Private Sector Conducive policy and institutional environment		
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	No	Regional	High
Household Targeting	No		
SDG Targeting	Yes		
SDG Goals	SDG16		
6. TA Category:	A		
7. Safeguard Categorization	Not Applicable		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		2.00	
Capacity development technical assistance: Technical Assistance Special Fund		2.00	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		2.00	
9. Effective Development Cooperation			
Use of country procurement systems	No		
Use of country public financial management systems	No		

I. INTRODUCTION

1. The technical assistance (TA) will support the banking and finance sectors in developing member countries (DMCs) of the Asian Development Bank (ADB) to improve the implementation of anti-money laundering and combating the financing of terrorism (AML/CFT) regulatory measures, and strengthen the capacity of domestic banks and nonbank financial institutions (NBFIs) to comply with the requirements of the Financial Action Task Force (FATF). It is aligned with the ADB policy on combating money laundering and the financing of terrorism,¹ which calls on ADB to (i) assist DMCs in establishing and implementing effective legal and institutional systems to combat money laundering and the financing of terrorism, (ii) increase collaboration with other international organizations, and (iii) strengthen internal controls to safeguard ADB funds. The TA supports good governance and capacity development, which comprise one of the five drivers of change under Strategy 2020.² The TA will also support goal 16 of the Sustainable Development Goals, which aims to strengthen the rule of law and the participation of developing countries in the institutions of global governance.³

2. Fact-finding missions were fielded from 5 September 2016 to 25 October 2016 with the following objectives: (i) introduce the proposed TA to a broad set of international stakeholders, including ADB DMCs and other development partners, among them the Asia/Pacific Group on Money Laundering; (ii) gauge the level of interest of ADB DMCs in the TA; (iii) coordinate with other development partners on the timing and scope of the TA; and (iv) in consultation with the financial intelligence units, key agencies, and industry representatives of selected DMCs,⁴ finalize the scope, outputs, implementation arrangements, consulting terms of reference and timetable for the TA and its subprojects, and the design and monitoring framework.⁵

II. ISSUES

3. A broad range of economic analyses point to the conclusion that strong financial institutions—such as small domestic banks and NBFIs—are critical to economic growth in developing countries because these institutions allow for the concentration of capital resources from domestic savings and the efficient allocation of such resources to investment projects that generate sustained economic development (footnote 1). Unfortunately, money laundering impairs the development of these financial institutions, especially in developing countries, because of the risks associated with money laundering and their impact on customer confidence.⁶ The adoption of AML/CFT policies by financial intelligence units and other relevant national authorities (i.e., supervisory and regulatory agencies, including self-regulatory bodies, if applicable), as well as financial institutions (where they include adequate know-your-customer rules and the strengthening of internal controls), are intended to protect such institutions from the negative effects of money laundering and the financing of terrorism (footnote 1).

¹ ADB. 2003. *Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism*. Manila.

² ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila, p.14.

³ United Nations Development Programme. 2012. *Sustainable Development Goals*. <http://www.undp.org/content/undp/en/home/sustainable-development-goals.html>.

⁴ Particularly Bhutan, Mongolia, Papua New Guinea, and the Philippines.

⁵ The TA first appeared in the business opportunities section of ADB's website on 8 November 2016.

⁶ Money laundering serves to erode financial institutions (there is a correlation between money laundering and fraudulent activities undertaken by employees); in addition, the perceived risk to depositors and investors from institutional fraud and corruption is an obstacle to trust.

4. However, these same AML/CFT policies and requirements can also affect the prospect and ability of domestic financial institutions (DFIs), including domestic banks, to participate and compete internationally. Overly strict approaches to AML/CFT may inadvertently limit financial access, especially in jurisdictions with nascent financial systems. Many financial institutions have opted to end relationships that are assessed as high risk, unprofitable, or complex—such as those involving money service businesses, foreign embassies, international charities, and correspondent banks.⁷ This practice is otherwise known as de-risking, and it seems to have been a trend since the 2008 financial crisis, aggravated by a misapplication of the AML/CFT requirements and the risk-based approach. Global financial developments such as the tightening of financial controls and standards, and the issuance of the 2012 FATF Recommendations, have led to international banks severing or limiting correspondent banking relationships with small domestic banks and NBFIs in risky jurisdictions.⁸ Many financial institutions are struggling to keep pace with these global financial developments, and the FATF requirement that financial institutions apply a risk-based approach to identifying, assessing, and adopting effective measures to mitigate the risks associated with AML/CFT.⁹

5. The response of international banks to these developments with respect to the provision of correspondent banking services varies, depending on several elements, such as their assessment of in-country risks, business decisions regarding risk-taking, and their areas of specialization or comparative advantage. The TA fact-finding missions found that some domestic de-risking is also occurring, such as when large domestic banks decide to close the accounts of money service businesses due to the compliance risks posed by this segment of the local industry. As a result, while some respondent banks that fit within one of the international banks' correspondent banking business strategies are likely to maintain their correspondent banking relationships, other financial institutions and designated nonfinancial businesses and professions (DNFBPs) risk being cut off from the international payment networks (footnote 9). Further, financial institutions that might risk losing access to correspondent services tend to (i) be smaller institutions that generate low payment volumes; (ii) be located in jurisdictions perceived to be very risky; (iii) not be part of an international group; or (iv) provide payment services to customers for whom an adequate risk assessment is not available, due to a lack of necessary information (footnote 9).

III. THE CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE

A. Impact and Outcome

6. The impact of the TA will be that the legal and institutional systems to combat money laundering and the financing of terrorism are established and implemented effectively (footnote 1). The outcome will be strengthened capacity of DFIs to comply with the FATF AML/CFT requirements.

⁷ T. Durner and L. Shetret. 2015. *Understanding Bank De-Risking and its Effects on Financial Inclusion: An Exploratory Study*. Oxford: Oxfam. p. 5.

⁸ Bank for International Settlements, Committee on Payments and Market Infrastructures. 2015. *Consultative Report: Correspondent Banking*. Basel. This report defines “correspondent banking” as an arrangement under which one bank (correspondent) holds deposits owned by other banks (respondents) and provides payment and other services to those respondent banks.

⁹ FATF. 2012. Interpretative Notes to *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation: The FATF Recommendations*. Paris (Interpretative Note to Recommendation 10, Section H; updated in 2016).

B. Methodology and Key Activities

7. A TA cluster is considered the most appropriate modality to address the challenges and issues at both the regulatory and operational levels, and develop a knowledge product that consolidates the resulting lessons. It will ensure that outputs are delivered at a pace that is compatible with the political and operational situation in the selected DMCs. Three regional subprojects will each focus on a key aspect of the TA. The TA will cover DMCs that were identified as being well-placed to maximize the TA impacts, based on a number of factors addressed by the ADB anti-money laundering policy (footnote 1), such as the level of demand for the assistance, the opportunity to follow up on prior ADB assistance, the opportunity to support key reforms initiated by the government concerned, or the need to address special problems and circumstances posed by a DMC. The DMCs covered by the TA include Bhutan, Mongolia, Papua New Guinea, and the Philippines. Consultations with the relevant national authorities of these DMCs were undertaken during the fact-finding missions. Other countries, such as Myanmar, Tajikistan, and Viet Nam, may also be considered during TA implementation.

8. **Subproject A: Developing risk-based customer due diligence requirements and tools.** Subproject A will support national authorities to improve the regulatory environment in the selected DMCs. FATF recommendation 1 on assessing risks and applying a risk-based approach notes that “[c]ountries should require financial institutions and designated [DNFBPs] to identify, assess and take effective action to mitigate their money laundering and terrorist financing risks.”¹⁰ The Interpretative Notes to the FATF recommendations further state that financial institutions and DNFBPs need to have policies, controls, and procedures that enable them to manage and effectively mitigate the identified risks, and to monitor (and if needed enhance) implementation of controls.¹¹ Recommendation 10, regarding customer due diligence (CDD), states that each country may determine how it imposes specific CDD obligations, through law or other enforceable means (footnote 9).

9. To address these risk-focused requirements of the FATF recommendations, this subproject will support national authorities to develop and issue AML/CFT risk-based CDD requirements and tools for DFIs (and, if necessary, DNFBPs) that are intended to improve implementation of national AML/CFT regulatory measures. It will also build their capacity and update their procedures. These efforts may also target national corporate registration systems and data sources that are accessed by financial institutions (particularly domestic banks) and DNFBPs in complying with CDD requirements, so that access to and use of these increases. The CDD requirements and tools will provide increased clarity regarding the risk-based approach, and the extent to which flexibility and subjectivity can be exercised within the FATF AML/CFT standards. They will also ensure that domestic entities can access reliable and updated data; are able to generate adequate information regarding their customers and can flag issues; and, when necessary, can effectively generate and submit reports regarding suspicious transactions and cash transactions.

10. These outputs will be closely linked with and complement any prior assistance provided by ADB to DMCs to develop or strengthen AML/CFT legal and institutional systems. The fact-finding mission revealed that a number of DMCs have issued CDD guidelines for their domestic banks. This subproject should be flexible in meeting the current and actual needs of the

¹⁰ FATF. 2012. *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation: The FATF Recommendations*. Paris (p. 11; updated in 2016).

¹¹ FATF. 2012. Interpretative Notes to *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation: The FATF Recommendations*. Paris (Interpretative Note to Recommendation 1, Section B, para. 9; updated in 2016).

selected national authorities, for example by (i) developing associated tools to complement recently issued guidelines; (ii) expanding guidelines to cover NBFIs and DNFBPs; (iii) enhancing guidelines to incorporate recent developments and lessons, or a strengthened risk-based approach; or (iv) implementing an awareness-building and training program for the new CDD guidelines.

11. Subproject B: Support domestic financial institutions to identify, assess, and address risks. Subproject B will support DFIs in the selected DMCs to develop the required policies, controls, and procedures to enable them to identify, manage, and effectively mitigate risks. FATF recommendation 10 on CDD and record-keeping lists the CDD measures that financial institutions should take, and indicates that financial institutions should determine the extent of such measures using a risk-based approach.¹² FATF recommendation 13 on correspondent banking lists additional CDD measures for domestic banks that are engaged in cross-border correspondent banking and other similar relationships (footnote 12). In light of the focus of FATF recommendations 10 and 13 on CDD, and recommendations 24 and 25 that deal with transparency and beneficial ownership of legal persons and arrangements, this subproject will support DFIs in developing and implementing enhanced due diligence procedures and practices, and incorporating risk-based approaches in their respective methodologies. This subproject will also help build the capacity of DFIs to effectively use adequate know-your-customer tools and approaches, and adapt these to any given risk scenario. Support is also needed to help DFIs improve how they identify their customers' ultimate beneficial ownership.

12. Within the DMCs covered by this subproject, the number and type of DFIs supported will depend on the findings and results of subproject A; in addition, consideration will be given to whether DFIs (i) participate in ADB-financed activities; (ii) have demonstrated capacity to serve ADB's development objectives, typically relating to the provision of financial services to underserved segments of the population, such as low-income households and small businesses; and (iii) operate in countries considered by FATF to be high-risk and noncooperative jurisdictions, or jurisdictions having strategic deficiencies. The TA will (i) support ADB-financed activities, such as financial institution loans; loans under the Trade Finance and Facilitation Program; and private sector lending and development activities; and (ii) improve ADB's ability to execute payments to DMCs associated with approved operational activities, such as payments to suppliers, service providers, consultants, and executing and implementing agencies.

13. Subproject C: Capacity development program. Subproject C will leverage the experience and lessons gained from subprojects A and B to develop and implement (i) a knowledge product on AML/CFT compliance for DFIs throughout the region;¹³ and (ii) a comprehensive AML/CFT capacity development program for DFIs that includes interactive e-learning modules. The knowledge product will cover broad international approaches and country-specific scenarios; although similarities can be expected among DFIs in different areas, the TA design reflects the fact that each financial institution faces unique internal and external challenges, as well as different national operating environments. A workshop will be held to disseminate the TA experience, accomplished outputs, and updates on AML/CFT.

¹² FATF. 2012. *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation: The FATF Recommendations*. Paris (updated in 2016).

¹³ The knowledge product will include brochures that DFIs can distribute to their customers explaining why certain documents are required to open an accounts and transact business.

C. Cost and Financing

14. The TA is estimated to cost \$2,000,000, which will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). The cost estimates and financing plan are in Appendix 2.

D. Implementation Arrangements

15. ADB will implement the TA through its Office of Anticorruption and Integrity. Upon TA approval,¹⁴ the subproject proposals will be submitted for approval by the head of the Office of Anticorruption and Integrity. Subprojects will be designed and developed in close collaboration with the Office of the General Counsel and ADB regional departments (including resident missions). ADB will also coordinate closely with pertinent DMC governments, particularly the relevant national authorities, with respect to all aspects of implementation. The TA is expected to be implemented from January 2017 to December 2021;¹⁵ implementation periods for individual subprojects are expected to be as follows: (i) January 2017 - December 2018 (subproject A); (ii) January 2019 - December 2020 (subproject B); and (iii) January - December 2021 (subproject C). The TA will require a total of 48 person-months of international consulting services and 124 person-months of national consulting services. A project management consultant will be recruited to provide project management support for the TA and ensure consistency across all covered DMCs and subprojects; other consultants will perform tasks on an intermittent basis. ADB may also recruit resource persons for the workshops to be conducted under the TA. Because this is a cluster TA that comprises separate and distinct subprojects, and considering that the type of specialization will depend heavily on the specific need identified for each country and financial institution,¹⁶ consultant selection will use varying methods depending on the size and nature of each contract. Given the diverse types of services required, the need for flexibility to match in-country needs, and the relative novelty of the practices and specialized nature of the subject matter, expertise will reside primarily with individuals (as opposed to firms), and individual consultant selection will be the primary approach used. Consultants will be engaged by ADB in accordance with its Guidelines on the Use of Consultants (2013, as amended from time to time).¹⁷ The outline terms of reference for consultants are in Appendix 3. The TA will also cover the costs of interpretation and translation, and other miscellaneous costs. Disbursement under the TA will be in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

IV. THE PRESIDENT'S DECISION

16. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$2,000,000 on a grant basis for Developing Anti-Money Laundering and Combating the Financing of Terrorism Approaches, Methodologies, and Controls, and hereby reports this action to the Board.

¹⁴ The TA was determined to be *category A* (ADB. 2013. Technical Assistance. *Operations Manual*. OM D12/BP. Manila), and was reviewed by a technical expert from ADB's Finance Sector Group.

¹⁵ TA activities will not start in a DMC unless a no-objection letter has been obtained from the government.

¹⁶ Some DMCs may require legal drafting skills, some may need experts with extensive experience with FATF and FATF-style regional bodies, while others may require information technology-related experience with AML/CFT software.

¹⁷ Lump-sum payments and output-based contracts will be considered for consulting services.

DESIGN AND MONITORING FRAMEWORK

Impact the Technical Assistance is Aligned With			
Legal and institutional systems to combat money laundering and the financing of terrorism are established and implemented effectively ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Capacity of DFIs to comply with the Financial Action Task Force AML/CFT requirements strengthened	100% of participating DFIs report increased compliance with the Financial Action Task Force AML/CFT requirements by the end of the technical assistance.	a. Reports submitted by DFIs to relevant national financial supervisors b. Reports from consultants working directly with the participating DFIs	Participating national authorities and DFIs fail to remain committed to complying with AML/CFT requirements.
Outputs Subproject A: <ol style="list-style-type: none"> 1. AML/CFT risk-based CDD requirements and tools are issued and disseminated by the relevant national authorities in the selected DMCs. 2. National corporate registration systems and data sources are made accessible and used by domestic entities for CDD requirements. 	<ol style="list-style-type: none"> 1. 75% of participating national authorities issue and implement AML/CFT risk-based CDD requirements and tools for DFIs by the end of 2018. 2. Improvements to the accessibility of national corporate registration systems and other relevant data sources in 75% of the selected DMCs are proposed by the end of 2018. 	1-2. Official issuances of the relevant national authorities; consultants' reports	Adequate public sector data is not available from the participating national authorities. Support from relevant national authorities is lacking. Progress is slow on the part of the relevant national authorities to improve AML/CFT requirements, tools, and data sources, due to competing priorities.
Subproject B: <ol style="list-style-type: none"> 1. AML/CFT risk-based due diligence rules and procedures are developed and implemented by the selected DFIs. 2. The capacity of DFIs to effectively use adequate CDD tools and approaches, including the identification of ultimate beneficial ownership, is enhanced. 	<ol style="list-style-type: none"> 1. 75% of participating domestic banks develop AML/CFT risk-based due diligence rules and procedures by the end of 2020. 2. 75% of participating DFIs apply adequate risk-based CDD tools and approaches, and are able to identify current ultimate beneficial ownership of their customers, by the end of 2020. 	1-2. Domestic banks' AML/CFT official rules and procedures; reports submitted by DFIs to the relevant national authorities; consultants' reports and questionnaires	Adequate public sector data is not available from the participating DFIs.

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
<p>Subproject C:</p> <p>1. Knowledge product on AML/CFT compliance for DFIs is developed and disseminated.</p> <p>2. Comprehensive AML/CFT capacity development program for DFIs is developed and disseminated.</p>	<p>1. Manual on AML/CFT compliance for domestic financial institutions that incorporates lessons from each participating DFI is published by the end of 2021.</p> <p>2a. AML/CFT training programs for trainers featuring the manual on AML/CFT compliance for DFIs held regionally for representatives from both national authorities and DFIs in all DMCs by the end of 2021.</p> <p>2b. Interactive training modules on the manual on AML/CFT compliance for DFIs developed and posted online by the end of 2021.</p>	<p>1-2. Manual on AML/CFT compliance for DFIs; seminar and/or workshop proceedings; online interactive training modules on the manual on AML/CFT compliance for domestic financial institutions; consultants' reports</p>	<p>Some of the invited national authorities and DFIs may not be interested in participating in the seminars and/or workshops, or may have competing priorities.</p>

Key Activities with Milestones

1. Subproject A: Developing risk-based CDD requirements and tools

1.1 Finalize the selection of suitable DMCs and coordinate with relevant national authorities, in close coordination with the Office of the General Counsel, regional departments, resident missions, and relevant government counterparts, by Q1 2017. The Asian Development Bank will obtain a no-objection confirmation from the relevant government prior to undertaking any activities in that DMC.

1.2 Recruit consultants by Q2 2017.

1.3 Review the overall enabling environment in the selected DMCs, as well as the general and specific internal and external challenges and opportunities faced by DFIs and, if necessary, DNFBNs in meeting the AML/CFT requirements, including consideration of any prior assessments; develop an approach and methodology to guide relevant national authorities in improving (i) the regulatory environment through requirements and tools that will help DFIs (and, if necessary, DNFBNs) develop processes to identify, assess, monitor, manage, and mitigate money laundering and terrorist financing risks; and (ii) access to and use of national corporate registration systems and data sources required for undertaking CDD, by Q3 2017 (milestone to be presented at workshop A-1).

1.4 Based on findings from activity 1.3, and as necessary, draft new or improvements to existing AML/CFT risk-based CDD requirements and tools, with expanded coverage for nonbank financial institutions and DNFBNs, and/or conduct an awareness-building and capacity development program on the national risk-based CDD requirements and tools. Identify opportunities to improve access to and use of national corporate registration systems and data sources that will support enhanced CDD activities by entities by Q2 2018.

1.5 Support relevant national authorities in the selected DMCs to improve access to and use of national corporate registration systems and data sources required for undertaking CDD. Implementation of this activity is anticipated to be from Q1 2018 to Q4 2018 (milestones for activities 1.4 and 1.5 will be presented in workshop A-2).

1.6 Finalize design and requirements for subproject B, based on the findings and results of subproject A, by the end of 2018.

2. Subproject B: Supporting DFIs to identify, assess, and address risks

2.1 Select DFIs to serve as pilot cases for implementing the risk-based CDD requirements and tools by Q1 2019.

2.2 Review and analyze the internal and external opportunities and strengths of the selected DFIs, match these against the requirements and tools issued by the relevant national authorities (subproject A), and propose an approach and methodology to successfully develop a risk-based approach to CDD for each DFI by Q3 2019.

2.3 Support the selected DFIs to set up the necessary processes, measures, and tools to identify, assess, monitor, manage, and mitigate money laundering and terrorism financing risks, and to effectively conduct risk-based CDD, including through capacity building in these areas. Implementation of this activity is anticipated to be from Q4 2019 to Q4 2020.

2.4 Collect and analyze strategies and results of the technical assistance at the selected DFIs by the end of 2020 (milestone to be presented in workshop B-1).

3. Subproject C: Developing and disseminating a capacity development program

3.1 Develop a manual—divided into two major components, covering broad international and country-specific approaches—for DFIs to comply with the requirements of AML/CFT regulations and adopt a risk-based approach for CDD by Q2 2021.

3.2 Design a program to develop the capacity of DFIs to comply with the requirements of AML/CFT regulations and perform risk-based CDD by Q2 2021.

3.3 Develop interactive e-learning modules for the manual by the end of 2021.

3.4 Hold a regional training program for trainers to disseminate the manual by Q4 2021.

Inputs

Asian Development Bank's Technical Assistance Special Fund (TASF-other sources): \$2,000,000
 Subproject A: \$500,000
 Subproject B: \$1,000,000
 Subproject C: \$500,000

AML = anti-money laundering, CDD = customer due diligence, CFT = combating the financing of terrorism, DFI = domestic financial institution, DMC = developing member country, DNFBPs = designated nonfinancial businesses and professions, Q = quarter.

^a United Nations Development Programme. 2012. *Sustainable Development Goals*. <http://www.undp.org/content/undp/en/home/sustainable-development-goals.html>.

Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	A	B	C	Total Amount
Asian Development Bank^a				
1. Consultants				
a. Remuneration				
i. International consultants	240	480	48	768
ii. National consultants	93	243	36	372
b. International travel and per diem	53	146	27	226
2. Workshops and seminars ^b	84	42	248	374 ^c
3. Reports, communication, and translation	15	15	60	90
4. Contingency	15	74	81	170
Total	500	1,000	500	2,000

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-other sources).

^b Includes costs for resource persons and interpretation.

^c It is estimated that a total of 24 in-country workshops will be held, each with around 40–50 participants.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. Subproject A: Developing Risk-Based Customer Due Diligence Requirements and Tools

1. Subproject A of the cluster regional capacity development technical assistance (TA) is designed to improve national anti-money laundering and combating the financing of terrorism (AML/CFT) requirements and tools for domestic financial institutions (DFIs) in participating developing member countries (DMCs), particularly with respect to risk-based customer due diligence (CDD).
2. All individual consultants will be recruited following the Guidelines on the Use of Consultants (2013, as amended from time to time) of the Asian Development Bank (ADB). All consultants and experts engaged under the TA, except resource persons who may be needed for capacity development programs, will be from ADB member countries.
3. Detailed terms of reference will be developed for the actual recruitment activities.
4. The places of assignment will be determined by the Office of Anticorruption and Integrity (OAI) before the recruitment activities.
5. The period of engagement will be from April 2017 to December 2018, and the actual number of days will be determined by OAI.

1. Scope of Work

6. **Project management and anti-money laundering and combating the financing of terrorism expert** (national, 21 person-months). The expert will provide oversight support for consulting assignments under the TA, reporting directly to OAI.
7. For project management-related work, the expert will
 - (i) assist OAI in planning the activities and requirements for the TA, and in supervising all consultant inputs and outputs;
 - (ii) monitor implementation progress for all TA activities;
 - (iii) coordinate with internal and external counterparts in support of the TA;
 - (iv) provide administrative support to OAI throughout TA implementation;
 - (v) assist OAI in coordinating the various activities under the TA to ensure smooth coordination among activities and across subprojects; and
 - (vi) finalize the design and requirements for successive subproject(s) based on the findings and results of the preceding subproject.
8. For project operations-related work, the expert will conduct the following activities for the Philippines:
 - (i) review the overall enabling environment in the Philippines, as well as the general and specific internal and external challenges and opportunities faced by DFIs, and if necessary, designated nonfinancial businesses and professions (DNFBPs) in meeting the AML/CFT requirements (if prior assessments exist, these should be considered by the review);
 - (ii) develop an approach and methodology that will support relevant national authorities to (a) improve the regulatory environment through enhanced and expanded requirements and tools that will help DFIs (and, if necessary, DNFBPs)

- develop processes to identify, assess, monitor, manage, and mitigate money laundering and terrorist financing risks; and (b) improve access and usage of national corporate registration systems and data sources required for undertaking CDD;
- (iii) as necessary, draft improvements to existing AML/CFT risk-based CDD requirements and tools, with expanded coverage for nonbank financial institutions and DNFBPs, and/or conduct an awareness-building and capacity development program on the national risk-based CDD requirements and tools; and
 - (iv) support relevant national authorities in improving access to and use of the national corporate registration systems and data sources required for undertaking CDD.

9. Anti-money laundering and combating the financing of terrorism experts (5 international consultants for a total of 15 person-months of inputs; and 5 national consultants for a total of 10 person-months of inputs; this will provide 3 person-months of international consultant services and 2 months of national consultant services per DMC, assuming five DMCs are covered). The experts will

- (i) review the overall enabling environment in the selected DMCs, as well as the general and specific internal and external challenges and opportunities faced by DFIs (and, if necessary, DNFBPs) in meeting the AML/CFT requirements (any prior assessments should be considered by the review);
- (ii) develop an approach and methodology that will support relevant national authorities to (a) improve the regulatory environment through enhanced and expanded requirements and tools that will help DFIs (and, if necessary, DNFBPs) develop processes to identify, assess, monitor, manage, and mitigate money laundering and terrorist financing risks; and (b) improve access to and use of national corporate registration systems and data sources required for undertaking CDD;
- (iii) as necessary, draft new or improvements to existing AML/CFT risk-based CDD requirements and tools for the relevant national authorities in the selected DMCs, with expanded coverage for nonbank financial institutions and DNFBPs; and/or conduct an awareness-building and capacity development program on the national risk-based CDD requirements and tools; and
- (iv) support relevant national authorities to improve access to and use of the national corporate registration systems and data sources required for undertaking CDD.

2. General Experience Requirements

10. The experts must have (i) extensive expertise in the financial and legal aspects of AML/CFT; and (ii) experience in (a) implementing AML/CFT regulations in the finance sector; (b) conducting compliance assessments; (c) designing efficient and effective regulatory frameworks for financial institutions and preferably DNFBPs that comply with Financial Action Task Force (FATF) standards; (d) supporting domestic banks in complying with AML/CFT requirements, particularly on CDD, and in addressing ultimate beneficial ownership (UBO), including with respect to existing customers; and (e) preparing training materials. The experts must have significant knowledge and experience in developed and developing countries with effective AML/CFT regimes and operations, and experience in Asian countries. Experience in legal drafting may also be required.

B. Subproject B: Supporting Domestic Financial Institutions to Identify, Assess, and Address Risks

11. Subproject B of the TA is designed to provide hands-on TA to identified DFIs in the selected DMCs so that (i) they effectively implement the risk-based CDD requirements and tools of the relevant national authorities, which can include the issuance of their own internal policies and guidelines; and (ii) they effectively use CDD tools and approaches, including UBO identification.

12. All individual consultants will be recruited following ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). All consultants engaged under the TA, except resource persons who may be needed for the capacity development programs, will be from ADB member countries.

13. Detailed terms of reference will be developed and the assignment locations determined prior to undertaking recruitment activities.

14. The period of engagement will be from January 2019 to December 2020, and the actual number of days will be determined by OAI.

1. Scope of Work

15. **Project management and anti-money laundering and combating the financing of terrorism expert** (national, 24 person-months). The expert will provide oversight support for the consulting assignments under the TA, reporting directly to OAI. The expert will

- (i) assist OAI in planning the TA activities and requirements, and in supervising the consultants' inputs and outputs;
- (ii) monitor implementation progress of all TA activities;
- (iii) coordinate with internal and external counterparts in support of the TA;
- (iv) provide administrative support to OAI throughout the TA;
- (v) assist OAI in coordinating the various activities under the TA, to ensure seamless transition among these activities, and across subprojects; and
- (vi) finalize the design and requirements for successive subprojects, based on the findings and results from the prior subproject.

16. **Anti-money laundering and combating the financing of terrorism experts** (a total of 30 person-months of international consultant inputs; and 57 person-months of national consultant inputs; this will provide 6 person-months of international consultant services and 11.4 person-months of national consultant services per DMC, assuming a coverage of five DMCs). The experts will

- (i) review and analyze the internal and external opportunities and strengths of the selected DFIs, match these against the requirements and tools issued by the relevant national authorities, and propose an approach and methodology to successfully develop a risk-based approach to CDD for each domestic financial institution;
- (ii) provide hands-on advisory and capacity-development services to the selected DFIs to (a) set up the necessary processes, measures, and tools to identify, assess, monitor, manage, and mitigate money laundering and terrorist financing risks; and (b) successfully develop a risk-based approach to CDD; and
- (iii) collect, analyze, and report on strategies and results of the advisory and capacity development services provided to the selected DFIs, including lessons learned.

2. General Experience Requirements

17. The experts must have (i) extensive expertise in the financial and legal aspects of AML/CFT; and (ii) experience in (a) implementing AML/CFT regulations in the finance sector; (b) conducting compliance assessments; (c) designing efficient and effective regulatory frameworks for financial institutions (and preferably DNFBPs) that comply with FATF standards; (d) supporting DFIs in complying with AML/CFT requirements, particularly on CDD, and in addressing UBOs, including with respect to existing customers; and (e) preparing and delivering training materials. The experts must have significant knowledge and experience in developed and developing countries with effective AML/CFT regimes and operations, and experience in Asian countries. Experience with AML/CFT software may also be required.

C. Subproject C: Developing and Disseminating Capacity Development Program

18. Subproject C of the TA will develop a knowledge product that will consolidate all the experiences and lessons from subprojects A and B, and provide insights and guidance for other national authorities and DFIs (including DNFBPs, if appropriate) throughout Asia and the Pacific. It will develop and implement (i) a knowledge product on AML/CFT compliance for DFIs; and (ii) a comprehensive AML/CFT capacity development program for DFIs that includes interactive e-learning modules.

19. All individual consultants will be recruited following ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). All consultants and/or experts engaged under the TA, except resource persons who may be needed for the capacity development programs, will be from ADB member countries.

20. Detailed terms of reference will be developed and places of assignment determined prior to the start of recruitment activities.

21. The period of engagement will be from January to December 2021, and the actual number of days will be determined by OAI.

1. Scope of Work

22. **Project management and anti-money laundering and combating the financing of terrorism expert** (national, 12 person-months). The expert will provide oversight support for the consulting assignments under the TA, reporting directly to OAI. The expert will

- (i) assist OAI in planning the activities and requirements for the TA, and in supervising the inputs and outputs of each consultant;
- (ii) monitor implementation progress of all TA activities;
- (iii) coordinate with internal and external counterparts in support of the TA;
- (iv) provide administrative support to OAI throughout the TA;
- (v) assist OAI in coordinating the various activities under the TA to ensure smooth coordination among activities and across subprojects; and
- (vi) finalize the design and requirements each successive subproject, based on the findings and results from the prior subproject.

23. Anti-money laundering and combating the financing of terrorism capacity development specialist (international, for a total of 3 person-months). The expert will

- (i) develop a manual—divided into two major components, covering broad international and country-specific approaches—for DFIs to comply with the requirements of AML/CFT regulations and adopt a risk-based approach for CDD;
- (ii) design a program to develop the capacity of DFIs to comply with the requirements of AML/CFT regulations and perform risk-based CDD;
- (iii) develop interactive e-learning modules for the manual; and
- (iv) deliver six regional training programs for trainers to disseminate the manual.

2. General Experience Requirements

24. The experts must have (i) extensive expertise in the financial and legal aspects of AML/CFT; and (ii) experience in (a) implementing AML/CFT regulations in the finance sector; (b) conducting compliance assessments; (c) designing efficient and effective regulatory frameworks for financial institutions and preferably DNFBPs that comply with FATF standards; (d) supporting DFIs in complying with AML/CFT requirements, particularly on CDD, and in addressing UBOs, including with respect to existing customers; and (e) preparing and delivering training materials. The experts must have significant knowledge and experience in developed and developing countries with effective AML/CFT regimes and operations, and experience in Asian countries. They must also have excellent communication skills, particularly in writing and presenting in English, and significant experience in training trainers and public speaking.