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# Japan Financial Intelligence Center (JAFIC) Annual Report

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2016



# Introduction

It has been 10 years since the enactment of the Act on Prevention of Transfer of Criminal Proceeds in 2007. For these 10 years, the Act has been amended several times in response to changes in domestic and international environments concerning such issues as money laundering, and its function has been strengthened. Additionally, specified business operators, including financial institutions, prescribed in this Act have made efforts to enhance their system to monitor illegal fund transfer, and as a result, the number of suspicious transaction reports (STRs) filed with the competent administrative authority by specified business operators, which was approximately 160,000 in 2007, exceeds 400,000 in 2016. The number has more than doubled in these 10 years. In the meantime, the number of cases wherein the analysis of filed STRs led to arrests, which was only around 100 in 2007, has also increased significantly to reach approximately 1,000 in 2016. STRs are being used by investigative authorities in countering organized crime further broadly and effectively.

As globalization of the economy and financial services is spreading remarkably today, international cooperation is essential for the fight against global-scale money laundering. Under the recommendations devised by the Financial Action Task Force (FATF, an intergovernmental body concerning Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) measures) as international standards, competent government authorities take effective measures against money laundering in unison. Japan also has been carrying out necessary legislative work, and in June 2016, promulgated, in accordance with the FATF guidance, the Act for Partial Amendment of the Act on Prevention of Transfer of Criminal Proceeds, which newly includes virtual currency exchange service providers into the category of specified business operators and provides for the obligations to take preventive measures such as filing STRs. The amended Act was put into force on April 1, 2017.

What is imperative for overcoming the challenges is that law enforcement agencies strategically take various measures in cooperation with the private sector from the viewpoint of global cooperation and coordination. This will never be possible unless we gain broad support and understanding of specified business operators and the general public as their customers.

The aim of this annual report is to make individual citizens as well as those who are directly affected by the regime aware of the situation and thereby gather much more support for our efforts. Our ultimate goal is to contribute to the safety and peace of national life and to the integrity and development of the international financial system.

## Legend

### 1 Abbreviations for laws

Abbreviations for laws are as follows.

[Abbreviation]	[Law]
Anti-Drug Special Provisions Law	Law concerning Special Provisions for the Narcotics and Psychotropics Control Law, etc. and Other Matters for the Prevention of Activities Encouraging Illicit Conduct and Other Activities Involving Controlled Substances through International Cooperation (Act No. 94 of 1991)
Act on Punishment of Organized Crimes	Act on Punishment of Organized Crimes and Control of Crime Proceeds (Act No. 136 of 1999)
Act on Punishment of Financing of Offences of Public Intimidation	Act on Punishment of the Financing of Criminal Activities for the Purpose of Intimidation of the General Public and of Governments (Act No. 67 of 2002)
Customer Identification Act	Act on Customer Identification by Financial Institutions, etc. (Act No. 32 of 2002)
Amended Customer Identification Act	Act on Confirmation of Customers Identification by Financial Institution, etc. and Prevention of Unauthorized Use of Deposit Account, etc. (Act No. 32 of 2002)
Immigration Control Act	Immigration Control and Refugee Recognition Act (Cabinet Order No. 319, 1951)
Investment Deposit and Interest Rate Act	Act Regulating the Receipt of Contributions, the Receipt of Deposits, and Interest Rates (Act No. 195 of June 23, 1954)
Amusement Business Act	Act on Control and Improvement of Amusement Business, etc. (Act No. 122 of 1948)
Mobile Phone Improper Use Prevention Act	Act for Identification, etc. by Mobile Voice Communications Carriers of Their Subscribers, etc. and for Prevention of Improper Use of Mobile Voice Communications Services (Act No. 31 of 2005)
Construction Recycling Act	Act on Recycling, etc. of Construction Materials (Act No. 104 of 2000)

### 2 Abbreviations for conventions, etc.

Abbreviations for conventions, etc. are as follows.

[Abbreviation]	[Conventions, etc.]
UN New Narcotics Convention	United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Convention No. 6 of

1992)

G8 Action Plan Principles.....G8 Action Plan Principles to prevent the misuse of companies and legal arrangements (Agreed at G8 Summit in Lough Erne in June 2013)

Japan Action Plan.....Japan Action Plan to prevent the misuse of companies and legal arrangements (Announced in June 2013)

### 3 Others

In this Annual Report, the following terms include corporations, etc. as follows.

[Terms]

Lawyer: Registered foreign lawyers and legal professional corporations are included.

Judicial scrivener: Judicial scrivener corporations are included.

Certified administrative procedures legal specialist: Certified administrative procedures legal specialist corporations are included

Certified public accountant: Foreign certified public accountants and audit corporations are included.

Certified public tax accountant: Certified public tax accountant corporations are included.

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Note 2: The number of cases is different from that of arrests and counts cases reported by prefectural police.

# Chapter 1

## Overview of History of Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Measures

Money laundering refers to attempts to evade the discovery of money obtained through illicit means, especially criminal proceeds, and arrests by investigative authorities by concealing the sources or beneficial owners of the money. If effective measures are not taken against money laundering, criminal proceeds continue to be utilized for further crimes or to become rife with organized crimes or terrorism. Money laundering also could pose serious threats to sound economic activities. Therefore, in order to ensure the safety and peace of national life and the sound development of economic activities, it is critical to take positive steps for AML/CFT.

The international community has continued to develop AML/CFT regimes in an effort to prevent and eradicate money laundering and terrorist financing (ML/TF), according to which Japan has also been working on it in cooperation with the international community.

The various AML/CFT regimes put in place and the follow-up activities we have made for their effective implementation as described in this report could, therefore, illustrate our dedication to the global challenge in fighting against ML/TF and robust domestic efforts.

### Section 1 AML/CFT Efforts in the International Community

#### 1 Anti-Money Laundering as a Countermeasure against Narcotic Drugs

Through the 1980s, the global spread of narcotics abuse was taken as a crisis in the international community, prompting a variety of initiatives to address the issue. Especially in fighting against illegal transactions by transnational drug-trafficking organizations, it was recognized as important to inflict damage on the source of their funds, by all measures, such as confiscating illegal proceeds from drug manufacturing and trafficking and effectively preventing their money laundering activities. In this context, the UN New Narcotics Convention was adopted in December 1988 and required each state to criminalize activities such as hiding drug crime proceeds and to establish relevant regulations to confiscate such proceeds.

At the Arch Summit in July 1989, in order to deepen international cooperation on money laundering initiatives related to drug crimes, the major developed countries decided to establish the FATF. In April 1990, urged by the need for standardizing measures in different countries, the FATF devised "The 40 Recommendations", as standards for anti-money laundering

measures to be applied in the fields of law enforcement, criminal justice, and the financial system. “The 40 Recommendations” required early ratification of “the UN New Narcotics Convention”, development of domestic laws stipulating anti-money laundering measures, and establishment of measures such as obligations to conduct customer identification and the report of suspicious transactions by financial institutions.

## **2 Anti-Money Laundering as a Countermeasure against Organized Crime**

In the 1990s, the international expansion of organized crime was recognized as a phenomenon which could threaten each country’s security, and therefore an international convention against international organized crimes was considered mainly by the United Nations. At the Halifax Summit in June 1995, it was pointed out that effective measures to prevent the concealing of proceeds not only from drug-trafficking but also from any other serious crimes were also necessary for successful countermeasures against transnational organized crimes. In accordance with these movements, the FATF revised, in June 1996, a part of “The 40 Recommendations,” and recommended that, besides drug crimes, the scope of predicate offenses for money laundering be extended to include other serious crimes.

Further, at the Birmingham Summit in May 1998, it was agreed by the participating countries to create an FIU (Financial Intelligence Unit) in each country, which are dedicated to collecting, arranging, and analyzing money laundering information, and to disseminating the information to investigative authorities as a measure to utilize the suspicious transaction reports for criminal investigation effectively. Egmont Group, established in 1995 as a forum for exchanging information between FIUs, defines an FIU as a “central, national agency responsible for receiving and analyzing information reported by financial institutions and providing such information to the competent authorities to support the government’s anti-money laundering measures; it shows a way for exchanging information that is important for law enforcement agencies.”

## **3 Countermeasures against Terrorist Financing**

In countering the financing of terrorism, anti-money laundering measures were thought in most part equally applicable to it, given that among others, it is critical to intercept the terrorist financing and to clarify the sources of the funds in terms of prevention; and also international cooperation has to be extended in the field as well.

Based on the concepts noted above, the International Convention for the Suppression of the Financing of Terrorism, adopted in December 1999, requires signatory countries to have mechanisms in place to criminalize terrorist financing and collection of funds for terrorism; to confiscate terrorist finances; to verify customer identity by financial institutions, and to report on suspicious transactions.

Later, in response to the terrorist attacks on the U.S. in September 2001, the FATF held an emergency session in October of the same year, when it issued “The 8 Special Recommendations,” at which time it included countering the terrorist financing measures as part of its mission, as well as criminalizing terrorist financing and freezing terrorist assets as an international standard for fighting terrorist financing. In October 2004, a new recommendation

related to the measure to prevent the physical cross-border transportation of funds was added to these recommendations which made them “The 9 Special Recommendations”.

#### **4 Countermeasures against Changing Money Laundering Trend**

In accordance with development of measures, the trend of money laundering has also been changing such as the employment of new tactics of concealing of funds using business sectors other than financial institutions. As a result, the FATF revised in June 2003 “The 40 Recommendations,” extending the scope of operators required to implement the Recommendations to designated non-financial businesses and professions (DNFBPs). Furthermore, in February 2012, the 40 Recommendations and 9 Special Recommendations were integrated and upgraded as the new 40 Recommendations in order to properly address the proliferation of weapons of mass destruction as well as additional threats of corruption including bribery by public officials and appropriation of property.

At the Lough Erne Summit in June 2013, the participating countries agreed on the G8 Action Plan Principles to prevent the misuse of companies and legal arrangements in light of the fact that companies and legal arrangements are being misused for money laundering and tax evasion due to a lack of transparency over their ownership and control.

## Section 2 AML/CFT in Japan

### 1 Enforcement of “the Anti-Drug Special Provisions Law”

Anti-money laundering measures in Japan have been developed in accordance with increasing AML/CFT awareness among the international community. Firstly, in June 1990, the then Director-General of the Banking Bureau at the Ministry of Finance issued a notice which demanded that financial institutions verify customers identity. Next, “the Anti-Drug Special Provisions Law” was enforced in July 1992 as one of the domestic laws implementing “New Narcotics Convention”, aiming mainly at dealing with drug crime proceeds. This law criminalized money laundering activities connected with drug crimes for the first time in Japan and established the suspicious transaction reporting system (regarding drug crime proceeds) by financial institutions etc. in response to “The 40 Recommendations.”

### 2 Enforcement of “the Act on Punishment of Organized Crimes”

The first FATF mutual evaluation of Japan in 1994 recommended remedial actions to be taken for the limited scope of predicate offenses for money laundering that had targeted only drug crimes. As a practical matter, it was extremely difficult for reporting entities to determine if each transaction was actually related to drug crimes in reporting suspicious transactions, resulting in fewer suspicious transaction reports. This ineffectiveness was partially caused by the fact that there was no system in place to collect reported information or to disseminate it to investigative authorities.

To address these problems, “the Act on Punishment of Organized Crimes” was enforced in February 2000 in Japan based on “The 40 Recommendations” as revised in 1996. This law represented progress in regulations against criminal proceeds on several points. Firstly, the scope of predicate offenses for money laundering was extended to include other serious crimes besides drug-related crimes. Secondly, the scope of crimes subject to the suspicious transaction reports regime was also extended to include other serious crimes besides drug crimes. Thirdly, the law mandated the Financial Supervisory Agency (later reorganized to the Financial Services Agency) to serve as the FIU of Japan, and the Japan Financial Intelligence Office (JAFIO) was established within the agency, accordingly.

### 3 Enforcement of “the Act on Punishment of Financing of Offenses of Public Intimidation” and “the Act on Customer Identification by Financial Institutions”, and Amendment of “the Act on Punishment of Organized Crimes”

As a major development after the terrorist attacks in the US, “the Act on the Punishment of Financing of Offenses of Public Intimidation” was enforced in July 2002 as a domestic law to join “the International Convention for the Suppression of the Financing of Terrorism”, criminalizing terrorist financing and collecting of funds for terrorism. At the same time, “the Act on Punishment of Organized Crimes” was partially amended, so that the terrorist financing/fund collection offense was included in predicate offenses. Moreover, terrorist funds were stipulated as criminal proceeds, which means that assets suspected of terrorist funds are

now subject to reporting as suspicious transactions.

Also, to implement the obligations of customer identification and record keeping required under the said Convention and the 40 Recommendations, “the Act on Customer Identification by Financial Institutions (Customer Identification Act)” was adopted (enforced in Jan. 2003). Because of frequent abuse of bank accounts under other or fictitious names for offenses such as Billing Fraud, the Customer Identification Act was amended in December 2004 to provide sanctions to transfer (both receiving/assignment) of passbooks.

#### **4 Development of “the Act on Prevention of Transfer of Criminal Proceeds”**

In response to the extension of the scope of businesses subject to customer due diligence (CDD) and other obligations to include DNFBPs in 2003, “the Headquarters for Promotion of Measures Against Transnational Organized Crime and International Terrorism”, with the Chief Cabinet Secretary as head thereof, in December 2004, publicized “the Action Plan for Prevention of Terrorism” including consideration of the implementation of the re-revised The 40 Recommendations. In November 2005, the abovementioned Headquarters decided that the National Police Agency would draft the bill for implementation of the re-revised Recommendations and that the FIU function would be transferred from the Financial Services Agency to the National Public Safety Commission. In addition, the competent administrative authorities would provide guidance and supervision to the relevant business sectors over STRs regime.

The National Police Agency drafted the bill, in cooperation with relevant ministries and agencies, quoting all references of Customer Identification Act and a portion of the Act on Punishment of Organized Crimes, and submitted it to the 166th National Diet session in February 2007. “The Act on Prevention of Transfer of Criminal Proceeds” was then adopted in March of that year. Partial enforcement of the Act stipulating the transfer of the FIU was carried out in April of the same year, while the expansion of specified business operators subject to the CDD obligation and other remaining provisions were enforced in March, 2008. In April 2011, upon consideration of discussions on recommendations made under the 3rd FATF Mutual Evaluation of Japan in 2008, and in light of damages caused by billing fraud in Japan, the following amendments were made to the Act on Prevention of Transfer of Criminal Proceeds: additional points to verify on transactions of specified business operators; addition of call forwarding service providers to the list of specified business operators; addition of measures for accurate verification at the time of transactions; and strengthening punishments on illicit transfer of passbooks, etc. The amended Act was fully enforced in April 2013.

Following the G8 Action Plan Principles agreed at the G8 Lough Erne Summit in 2013, Japan also expressed its strong commitment to it by announcing the Japan Action Plan in June 2013, according to which necessary actions including the national risk assessment of ML/TF should be undertaken.

Moreover, in November 2014, based on debates about institutional reforms intended to achieve the levels required by the FATF recommendations concerning customer due diligence, which were pointed out by the above Mutual Evaluation Report of Japan and FATF

statement in June 2014, the Act for Partial Amendment of the Act on Prevention of Transfer of Criminal Proceeds was enacted and was enforced in full in October 2016, and Japan has addressed all issues thus pointed out. The amended Act includes provisions for clarification of the determination method of suspicious transactions, enhanced verification at the time of the conclusion of correspondence contracts and expansion of the obligation for business operators to make efforts to develop necessary systems.

The National Police Agency, together with other relevant government ministries and agencies, has as appropriate amended AML/CFT-related legislation including the Act on Prevention of Transfer of Criminal Proceeds and its subordinate decrees as well as various other ordinances, thereby responding to changes in social conditions and addressing the deficiencies identified in the FATF Mutual Evaluation Report (MER) of Japan.

Major legal amendments in 2016 are detailed in Chapter 2 (Legislative Regime on AML/CFT).

Figure 1-1 History of AML/CFT Measures

Global Events		Events in Japan	
December 1988	Adoption of UN New Narcotics Convention (Criminalization of money laundering activities related to illegal proceeds derived from drug crimes)		
July 1989	Arch Summit (Establishment of the FATF (Financial Action Task Force on Money Laundering))		
April 1990	FATF issued the 40 Recommendations - Customer identification by financial institutions - Reporting of suspicious transactions to financial regulatory authorities		
June 1994	First FATF mutual evaluation of Japan - Recommendations made concerning scope of predicate offences for money laundering that targeted only drug crimes		
June 1995	Halifax Summit (Confirmation of the need for extending the scope of predicate offences to serious crimes)		
June 1996	FATF revised the 40 Recommendations - Extending the scope of predicate offences to serious crimes became compulsory.		
May 1998	Birmingham Summit (Agreement on establishment of FIU)		
July 1998	Second FATF mutual evaluation of Japan - Repeated recommendations made concerning scope of predicate offences for money laundering being only limited to drug crimes		
December 1999	Adoption of the International Convention for the Suppression of the Financing of Terrorism (criminalization of terrorist financing and collection of funds for terrorism became compulsory)		
September 2001	Terrorist attacks in the US		
October 2001	FATF issued its 8 Special Recommendations - Criminalization of terrorist financing, reporting of suspicious transactions related to terrorism		
June 2003	FATF re-revised the 40 Recommendations - Application of recommendations to non-financial businesses (real estate agents, dealers in precious metals, dealers in precious stones, etc.) and professions (lawyers, accountants, etc.)		
October 2004	FATF revised its 8 Special Recommendations to make 9 Special Recommendations - Measures were added to prevent physical movement of funds across border		
October 2008	FATF announced the results of the Third Mutual Evaluation of Japan - Nine categories, including CDD, were given the "NC" rating		
February 2012	FATF revised its 40 Recommendations and 9 Special Recommendations - FATF integrated both into New 40 Recommendations		
June 2013	Lough Erne Summit (Agreed on the G 8 Action Plan Principles)		
June 2014	FATF announced a statement on Japan - FATF requested Japan to take prompt response to insufficient parts of the AML/CFT measures.		
		June 1990	The Ministry of Finance issued an order to financial Organizations (requiring financial institutions to verify customer identity)
		July 1992	Enforcement of the Anti-Drug Special Provisions Law (Criminalization of money laundering related to drug crimes, establishment of suspicious transaction reporting system)
		February 2000	Enforcement of the Act on Punishment of Organized Crimes (Expansion of scope of predicate offences to include other serious crimes, establishment of Japanese FIU at the Financial Supervisory Agency)
		July 2002	Enforcement of the Act on Punishment of Financing of Offences of Public Intimidation and the revised Act on Punishment of Organized Crime (addition of terrorist funding and collection etc. to list of predicate offences)
		January 2003	Enforcement of the Customer Identification Act (Obligation of customer identification by financial institutions etc. is legislated.)
		December 2004	Enforcement of the amended Act on Customer Identification by Financial Institutions (Punishment on illicit transfer of passbooks was established.)
		December 2004	The Headquarters for the Promotion of Measures Against Transnational Organized Crime and International Terrorism decided on the Action Plan for Prevention of Terrorism.
		November 2005	The Headquarters for the Promotion of Measures Against Transnational Organized Crime and International Terrorism decided on the development of laws for implementation of the FATF Recommendations
		March 2007	Adoption of the Act on Prevention of Transfer of Criminal Proceeds
		April 2007	Partial enforcement of the Act on Prevention of Transfer of Criminal Proceeds Transfer of the function of FIU (from the Financial Services Agency to the National Public Safety Commission/the National Police Agency)
		March 2008	Full enforcement of the Act on Prevention of Transfer of Criminal Proceeds (Enforcement of the customer identification obligation etc. to DNFBPs)
		April 2011	Adoption of the amended Act on Prevention of Transfer of Criminal Proceeds (Addition of matters to be verified during transactions, addition of measures to ensure accuracy of verifications during transactions, addition of more specified business operators, strengthening of punishments on illicit transfer of passbooks, etc.)
		April 2013	Full enforcement of the Act on Prevention of Transfer of Criminal Proceeds (the portion amended in April 2011)
		June 2013	Release of the Japan Action Plan
		November 2014	Adoption of the amended Act on Prevention of Transfer of Criminal Proceeds (provisions for clarification of the judgment method of suspicious transactions, strict verification at the time of the conclusion of correspondence contracts and expansion of the obligation for business operators to make efforts to develop necessary systems)
		October 2016	Full enforcement of the amended Act on Prevention of Transfer of Criminal Proceeds (the portion amended in November 2014)

## Section 3 Establishment of the Japan Financial Intelligence Center (JAFIC)

### 1 History of FIU in Japan

In Japan, although suspicious transaction reporting became obligatory due to the enforcement of the Anti-Drug Special Provisions Law in 1992, a mechanism for centralized management and provision of information to investigative authorities was not created. However, following the enforcement of the Act on Punishment of Organized Crimes in 2000, the first FIU in Japan was established under the Financial Supervisory Agency (later reorganized as the Financial Services Agency) in order to process information related to suspicious transactions and exchange information with foreign countries.

In 2003, the FATF revised the 40 Recommendations again, expanding the scope of businesses subject to the obligation for implementing such measures as verification of customers' identity beyond financial institutions, and in light of this, Japan also decided to expand the scope of businesses subject to the obligation for implementing measures to prevent money laundering beyond financial institutions to real estate agents, dealers in precious metals and stones and other business operators. As the scope of information related to suspicious transactions was expanded accordingly, it was determined that it was appropriate to shift the authority over the FIU functions, most of which concern analysis, from the Financial Services Agency, which supervises financial institutions, to the police, which use reported information in general for investigation and countermeasures against organized crimes and terrorism. This thinking was revealed by the decision made in November 2005 by the government's Headquarters for the Promotion of Measures against Transnational Organized Crime and International Terrorism to have the National Police Agency write a bill for the implementation of the FATF recommendations.

The Act on the Prevention of Transfer of Criminal Proceeds, which was partially put into force in April 2007, made it clear that the National Public Safety Commission (NPSC), which exercises administrative supervision over the National Police Agency and is aided by it, is responsible for prompt and appropriate collection, arrangement and analysis of suspicious transaction reports (STRs) filed by specified business operators. The Act also granted the NPSC a function to provide STRs to investigative authorities and foreign FIUs as well as a function to complement supervisory measures against specified business operators. The Japan Financial Intelligence Center (JAFIC) was established within the Organized Crime Department, the Criminal Affairs Bureau of the National Police Agency, as an organization responsible for processing administrative work related to the enforcement of the same law.

In April 2014, the Strategy-Planning and Analysis Division and JAFIC, which were until then under the Organized Crime Department, were integrated, and the Organized Crime Policy Planning Division was established under the department. The Japan Financial Intelligence Center which includes the positions of the Director for Analysis of Financial Intelligence (abolished on April 1, 2015) and the Director for International Cooperation was established

under the division. Internationally, the Japan Financial Intelligence Center (JAFIC) is recognized as the FIU of Japan.

## 2 Mission and Structure

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JAFIC is tasked with the following works in accordance with the Act on Prevention of Transfer of Criminal Proceeds.

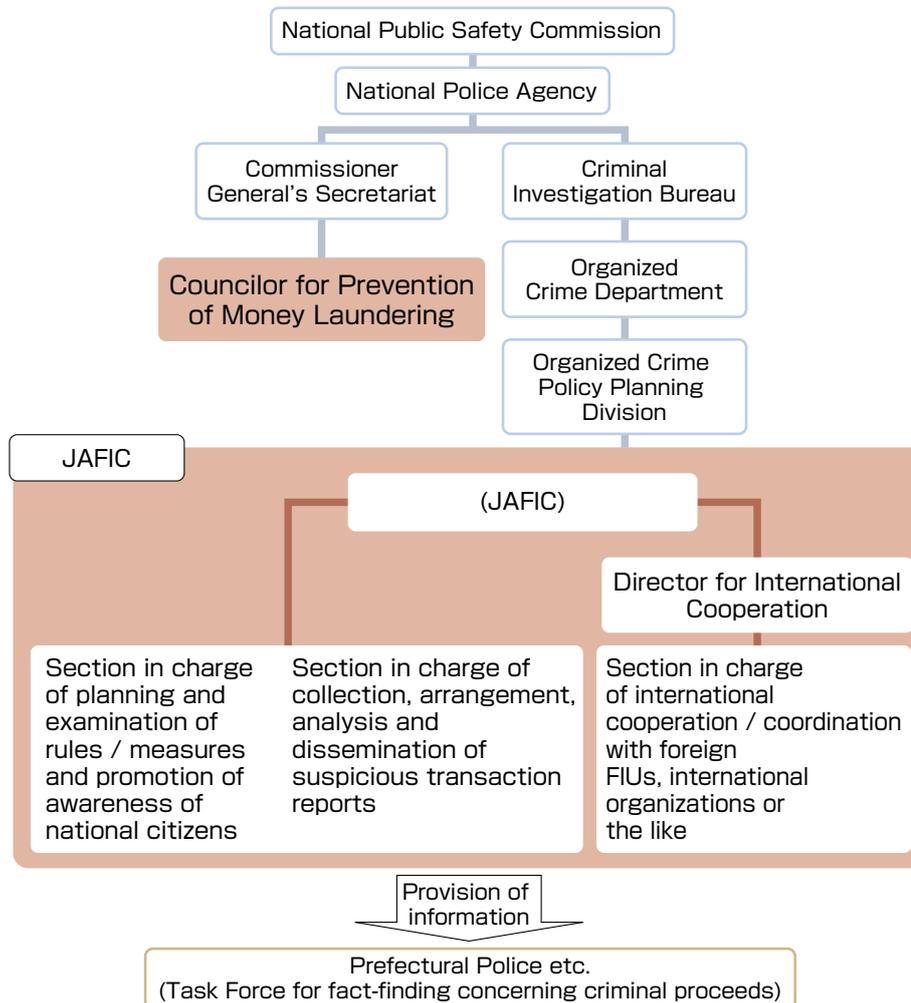
- Collection, arrangement, analysis and dissemination of information on suspicious transactions to investigative authorities etc.
- Dissemination of information to foreign FIUs;
- Investigation and analysis of the status of transfer of criminal proceeds and formulation of the national risk assessment report
- Provision of information and complement of supervisory measures by administrative authorities to ensure that specified business operators take required measures;

JAFIC also plans and examines the legal system related to AML/CFT and various measures such as “the Guideline for Promotion of the Criminal Proceeds Control”. It also participates in various international AML/CFT standard setting activities.

The structure of JAFIC is illustrated in Fig. 1-2. It is currently composed of about 100 employees under the Director for Prevention of Money Laundering.

On the other hand, the “Task Force for fact-finding concerning criminal proceeds” is established in each Prefectural Police in charge of tracing criminal proceeds and investigating money laundering and other crimes.

Figure 1-2 Structure of JAFIC



### 3 Partners

Specified business operators should take initial measures against ML/TF according to the Act on Prevention of Transfer of Criminal Proceeds. In addition to the analysis of financial information, JAFIC endeavors to get across knowledge or ideas it has accumulated with regard to the actual conditions of ML/TF or legal systems and relevant countermeasures so that specified business operators can perform CDD in better harmony with the general public.

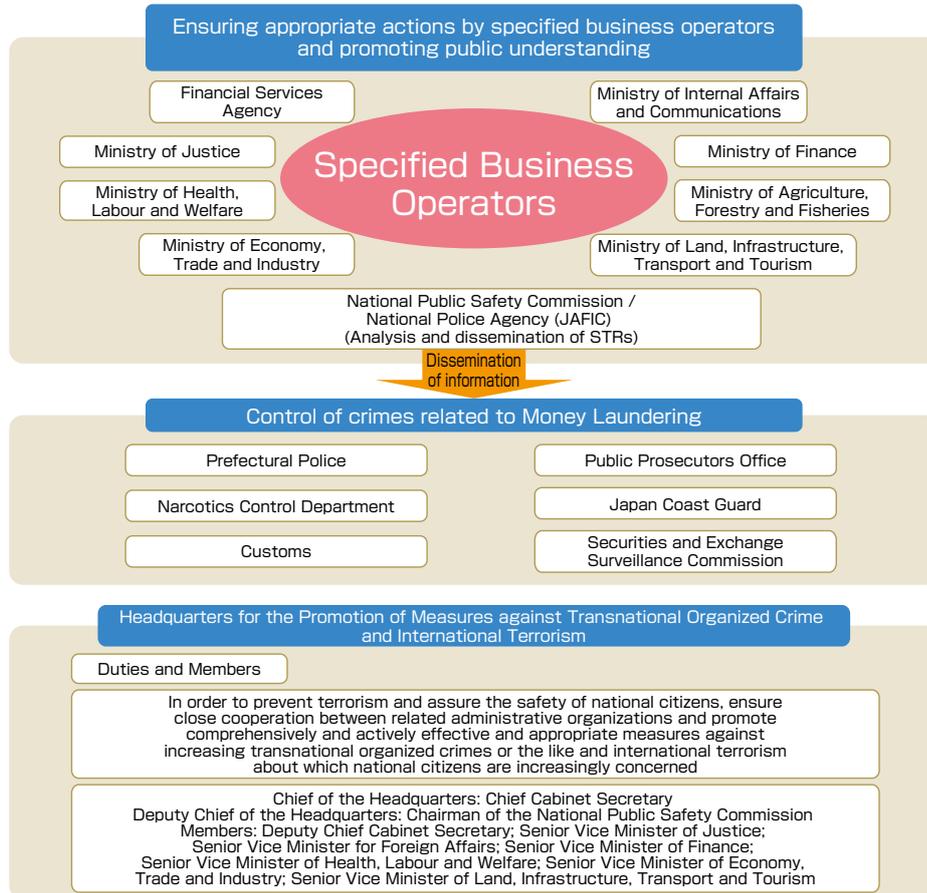
Relevant ministries and agencies in charge of supervising business operators not only exercise the supervisory function to secure the fulfillment of obligations, but also provide support by issuing Lists of Reference Cases of Suspicious Transactions and holding seminars together with industry organizations. On the other hand, investigative authorities such as police, make contributions in the area of punishment of money laundering or predicate offenses or confiscation of their proceeds.

These ministries and agencies carry out their duties in each position in cooperation with each other by sharing useful information, discussing issues in preventing money laundering and other ways.

For the purpose of promoting effective and appropriate measures against transnational orga-

nized crimes and international terrorism in a comprehensive and active manner, the “Headquarters for the Promotion of Measures against Transnational Organized Crime and International Terrorism” was established in a Cabinet Meeting in August 2004.

Figure 1-3 Anti-money Laundering Measures in Organization



#### 4 Guideline for Promotion of the Criminal Proceeds Control

From the perspectives of damaging the financial bases of criminal organizations, the police have been promoting countermeasures against criminal proceeds by, among others, cracking down on illegal acts and other fund raising activities undertaken by Boryokudan. The Act on the Prevention of Transfer of Criminal Proceeds is expected to make these countermeasures more effective with the cooperation of a wide range of business operators who may deal with criminal proceeds. The National Police Agency, playing a central part in enforcing the act, issued “the Guideline for Promotion of the Criminal Proceeds Control” with the notice of the Deputy Commissioner General of the National Police Agency in April 2007 with a view to enhancing countermeasures against criminal proceeds taken by police departments across the country

Fundamental items in carrying out measures against criminal proceeds indicated by the guideline are composed of four core principles, six key areas and confidentiality of STR information as follows:

## 1 Core Principles for AML/CFT

- (1) Promotion of voluntary efforts by specified business operators and of public awareness
- (2) Analysis and utilization of information on criminal proceeds
- (3) Promotion of crackdown on crimes related to criminal proceeds and deprivation of criminal proceed
- (4) Promotion of international cooperation on criminal proceeds control

## 2 Key Areas

- (1) Arrangement of the system for the promotion of countermeasures
 

The National Police Agency and each prefectural police should develop a system necessary for countermeasures against criminal proceeds. Each prefectural police establish a Task Force for fact-finding concerning criminal proceeds and develop the investigation system for crimes related to criminal proceeds in each relevant division.
- (2) Promotion of voluntary efforts by specified business operators and public awareness
 

The National Police Agency should provide information on the transfer of criminal proceeds and on implementation methods for the measures prescribed in the Act on Prevention of Transfer of Criminal Proceeds, instruction and advice to specified business operators. The National Police Agency and each prefectural police force should conduct public relations and educational activities to deepen general understanding about importance of criminal proceeds control.
- (3) Collection, arrangement and analysis of information on criminal proceeds
 

The National Police Agency should collect, arrange, analyze and disseminate information on criminal proceeds. Each prefectural police should collect the information necessary for effective countermeasures against criminal proceeds by maintaining close cooperation among relevant divisions.
- (4) Promotion of countermeasures against criminal proceeds
 

The National Police Agency should provide instruction to and coordinate among prefectural police departments which investigate crimes related to criminal proceeds, as well as clarify actual conditions of criminal organizations etc. In order to cut off the source of funds for criminal organizations etc., each prefectural police department should promote investigation where STRs are utilized, and attempt to make arrests in a proactive manner by applying the Act on Punishment of Organized Crimes, the Anti-Drug Special Provisions Law and other laws, while it should also promote information collection activities.
- (5) Promotion to deprive Criminal Proceeds
 

Each prefectural police force shall carry out measures to prevent the transfer of criminal proceeds by not only arresting suspects, but also by detecting criminal proceeds and utilizing the temporary restriction order before institution of prosecution. Also, close coordination with the Public Prosecutor's Office shall be further strengthened with regards to the deprivation of criminal proceeds.
- (6) Promotion of international cooperation
 

The National Police Agency should take initiative in the areas of, for example, inter-FUI

information exchange, compliance with the FATF Recommendations, and support the global compliance in an effort to enhance international cooperation on AML/CFT.

### 3 Confidentiality

Necessary and appropriate measures have to be taken to ensure confidentiality and prevent any leakage with regard to any use of STR information in any phase of their duties.

Figure 1-4 Overview of the Guideline for Promotion of the Criminal Proceeds Control



# Chapter 2

## Legislative Regime on AML/CFT

AML/CFT regime in Japan has been developed since the 1980s, in order to achieve the following three objectives:

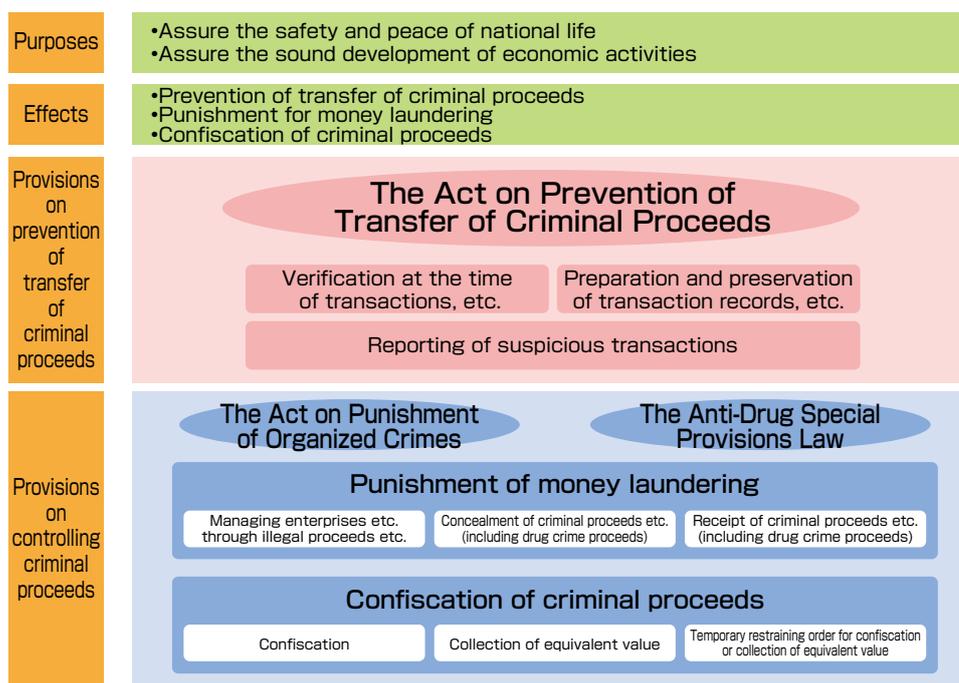
- (1) Imposing CDD and other necessary obligations on financial institutions and DNFBPs (collectively referred to as "specified business operators")
- (2) Criminalization of money laundering
- (3) Confiscation of criminal proceeds

Of these, (1) is for deterring money laundering by facilitating the tracing of criminal proceeds when they are transferred and making it difficult to avoid prosecution or confiscation, while (2) and (3) are primarily targeting criminal organizations to root out their sources of fund.

(1) is realized mainly by the Act on Prevention of Transfer of Criminal Proceeds, while (2) and (3) are realized by the Act on Punishment of Organized Crimes and the Anti-Drug Special Provisions Law.

\*Article numbers, etc. mentioned in Section 1 of this chapter are those in the Act after the amendment by the Act for Partial Amendment of the Banking Act, etc. to Address Advances in Information Technology and Other Environmental Changes (Act No. 62 of 2016) (to be enforced on April 1, 2017).

Figure 2-1 Relationships of the Act on Prevention of Transfer of Criminal Proceeds, the Act on Punishment of Organized Crimes, and the Anti-Drug Special Provisions Law



## Section 1 Outline of the Act on Prevention of Transfer of Criminal Proceeds

The Act on Prevention of Transfer of Criminal Proceeds was created based on the two laws; the amended Customer Identification Act and a portion of the Act on Punishment of Organized Crimes in order to address changes in money laundering trends more effectively and comprehensively in a way consistent with global standards set out by the FATF 40 Recommendations in 2003.

The Act provides for preventive measures in combating ML/TF, by imposing obligations on specified business operators to perform CDD, record keeping, filing STRs, etc. In 2011, the following amendments were made to the Act: addition of verifying details for transactions; addition of telephone forwarding service providers to the list of specified business operators; addition of measures for appropriate verification at the time of transactions; and increased punishments on illicit transfer of passbooks, etc. The amended Act was fully enforced on April 1, 2013.

In addition, in 2014, a legal amendment was made to include provisions for clarification of the determination method of suspicious transactions, enhanced verification at the time of the conclusion of correspondence contracts and expansion of the obligation for specified business operators to make efforts to develop internal policies, procedures and controls, etc. and this amendment was fully enforced on October 1, 2016.

### 1 Purpose of the Act (Article 1)

The purpose of the Act is to prevent the transfer of criminal proceeds and to ensure the appropriate enforcement of international treaties, etc., concerning the prevention of terrorist financing and thereby, to ensure the safety and peace of national life and to contribute to the sound development of economic activities by way of devising such measures as the verification of customer identification data, preservation of transaction records or the like, and reporting of suspicious transactions by a specified business operator, as described in 3 below, coupled with other measures stipulated by the Act on Punishment of Organized Crimes and the Anti-Drug Special Provisions Law.

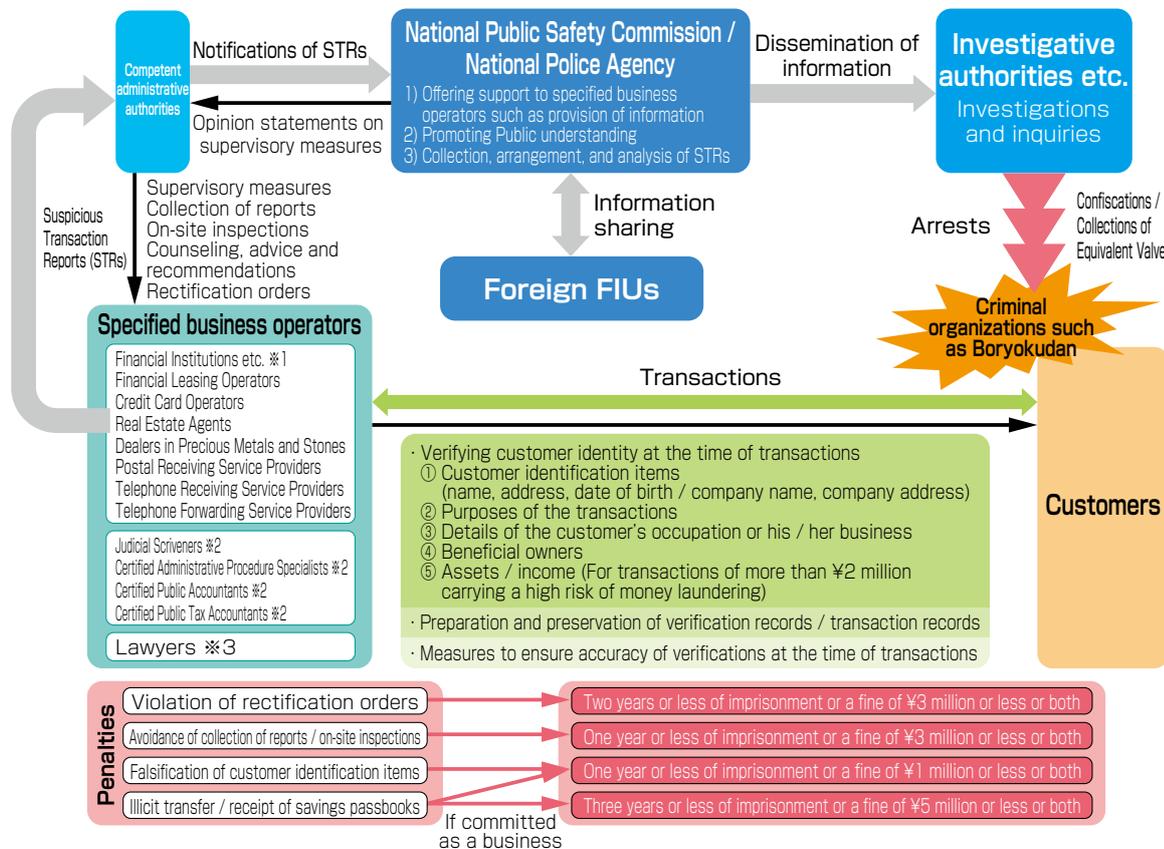
### 2 Criminal Proceeds (Paragraph 1 of Article 2)

The term "criminal proceeds" as used in the Act means criminal proceeds etc. prescribed in Article 2, paragraph 4 of the Act on Punishment of Organized Crimes or drug-related criminal proceeds etc. prescribed in Article 2, paragraph 5 of the Anti-Drug Special Provisions Law.

### 3 Specified Business Operators (Paragraph 2 of Article 2)

Any financial institution or DNFBP which falls under the Act and thus is required to perform CDD and other obligations, should be called "Specified business operators," whose designation would occur in line with the FATF standards and also the domestic business context.

Figure 2-2 Overview of the Act on Prevention of Transfer of Criminal Proceeds



- ※ 1 Amongst financial institutions etc., those operators involved in foreign exchange are required to provide notification on money remitters in addition to the above.
- ※ 2 Professions such as judicial scriveners, certified administrative procedure specialists, certified public accountants, and certified tax accountants are required to verify the information in ① only.
- ※ 3 The Japan Federation of Bar Associations defines, in its bylaws, measures to ensure accurate verification on transactions, and preparation/preservation of verification records and transaction records by lawyers. These rules are based on examples of judicial scriveners and other professions contained in the Act on Prevention of Transfer of Criminal Proceeds.

### Specified business operators

○Financial institutions (items 1 through 37):

Bank; Shinkin bank; Federation of Shinkin banks; Labor bank; Federation of labor banks; Credit cooperative; Federation of credit cooperatives; Agricultural cooperative; Federation of agricultural cooperatives; Fishery cooperative; Federation of fishery cooperatives; Fishery processing cooperative; Federation of fishery processing cooperatives; Norinchukin Bank; Shokochukin Bank; Development Bank of Japan; Insurance company; Foreign insurance company, etc.; Small-claims/short term insurance business operator; Federation of fishery cooperatives for mutual aid; Financial instruments business; Securities finance company; Specially permitted business notifying person; Trust company; Self-trusted company; Real estate specified joint enterprise operator or special business operator; Mutual loan company; Money lender; Call money market broker; Fund transfer company; Virtual currency exchange service provider; Futures commission

merchant; Book-entry transfer institution; Account management institution; Electronic receivables recording organization; Management Organization for Postal Savings and Postal Life Insurance; Currency exchanging operator

- Financial leasing operator (item 38)
- Credit card operator (item 39)
- Real estate agents (item 40)
- Dealers in precious metals and stones (item 41)
- Postal receiving service providers, telephone receiving service, providers and telephone forwarding service providers (item 42)
- Lawyer or legal profession corporation (item 43)
- Judicial scrivener or judicial scrivener corporation (item 44)
- Certified administrative procedures specialists or administrative scrivener corporation (item 45)
- Certified public accountant or audit firm (item 46)
- Certified public tax accountants or certified tax accountant corporation (item 47)

#### **4 Responsibilities of the National Public Safety Commission and FIU (Article 3)**

The Act provides that the National Public Safety Commission has responsibilities to endeavor 1) to enhance public awareness on the importance of the prevention of the transfer of criminal proceeds in order to ensure specified business operators conduct appropriate measures in performing CDD, and to provide them with support including the provision of information on the modus operandi; regarding the transfer of criminal proceeds, and 2) to promptly and appropriately collect, arrange and analyze information on criminal proceeds including information on suspicious transactions reported by specified business operators so that such information can be effectively utilized in the investigation into criminal cases and related international cooperation.

In addition, the National Public Safety Commission is required each year to investigate and analyze the status of transfer of criminal proceeds, including modus operandi related to the transfer, and compile and publish NRA, which describes the investigation and analysis results, including the risk level of transfer of criminal proceeds by type of transaction conducted by specified business operators and other business operators.

#### **5 Measures by Specified Business Operators**

The measures which specified business operators (excluding lawyers; the same shall apply in this section except for 5 (7) and Table 2-1) are obligated to implement and the measures related to identification by lawyers are described in (1) to (7) and Table 2-1 below.

##### **(1) Verification at the time of transactions (Article 4)**

In conducting specified transactions described in Table 2-2 with customers, specified business operators are required to verify their identification data (the name, domicile and birth date), the purpose and intended nature of the transaction, occupation (identification data, including the name and location of the headquarters or main office, the pur-

pose and intended nature of the transaction, type of business and the beneficial owner in cases where the customer is a legal person) by asking for their identification documents such as driver's license. However, in cases where the specified business operator is either a judicial scrivener, administrative scrivener, certified public accountant or tax accountant; hereinafter referred to as a "judicial scrivener, etc."), it is sufficient to verify the customers' identification data alone.

When a specified transaction is conducted with a customer's agency or a representative of the customer's corporation, identification data of said agency or representative must also be verified.

Regarding transactions that have a high risk of being related to ML/TF, where there is a suspicion of pretending to be a customer, etc. on conducting specified business affairs which does not fall under specified transactions, specified business operators are required to verify items related to verification at the time of transactions with a more enhanced method than usual. Moreover, in cases where the transaction involves the transfer of assets worth more than ¥2 million, specified business operators other than judicial scriveners are required to verify information concerning customers' source of wealth and source of funds.

(For details, see the Japan Financial Intelligence Center (JAFIC) Website)

Methods of verification at the time of transactions are as shown in Figure 2-3.

## **(2) Preparation and preservation of verification records (Article 6)**

Specified business operators are required to prepare and keep records of verification records collected at the time of transaction, as well as measures taken for verification of the customer at the time of the transaction, for seven years from the day when the transactions were completed or terminated;

## **(3) Preparation and preservation of transaction records etc. (Article 7)**

Specified business operators are required to prepare and keep the record of the date and contents of transactions concerned for seven years;

## **(4) Reporting of suspicious transactions (Article 8)**

Specified business operators are required to file an STR with the competent administrative authority in cases where an asset received through their business operation is suspected of being criminal proceeds, or where the customer is suspected of engaging in money laundering with regard to the specified business affairs (excluding judicial scriveners, etc.).

Determination as to whether or not a suspicious transaction report should be submitted will be made under a method<sup>(Note)</sup> prescribed by the ordinance of the competent ministries while taking account of the contents of NRA, in addition to the results of verification at the time of transactions, patterns and natures of transactions and other circumstances.

(Note) Methods, etc. of verification whether there is a suspicion of ML through comparison of the nature of transactions with those of usual transactions, comparison with past transactions with the same customer, and checking of the consistency with the content verified at the time of transactions, etc.

**(5) Enhanced verification at the time of the conclusion of correspondence contracts (Article 9)**

When concluding a correspondent banking contract<sup>1</sup> under which exchange transactions with an exchange business operator located abroad are conducted continuously or repeatedly, specified business operators who conduct exchange transactions on a regular basis are required to verify that the foreign exchange business operator located abroad has developed a system necessary for appropriately implementing a measure equivalent to verification at the time of transactions.

**(6) Notification pertaining to foreign exchange transactions (Article 10)**

In making wire transfers to other countries, specified business operators conducting exchange transactions on a regular basis are required to notify the receiving exchange transaction business operator located abroad of certain items, such as the customer's name and account number.

**(7) Measures to ensure thorough and effective CDD measures to be taken (Article 11)**

Specified business operators are required to endeavor to take measures to keep information up-to-date concerning matters for which verification at the time of transactions has been conducted, formulate rules concerning the implementation of such measures as verification at the time of transactions, etc. and appoint a person in charge of supervising business affairs, etc.

**(8) Measures for verification of customer identification data by lawyers (Article 12)**

It is established by special provision, that lawyers shall conduct measures relevant to those described in (1) through (3) and (7) above based on The Rule of the Japan Federation of Bar Associations in line with cases of judicial scrivener.

The CDD regime in which measures as described in (1) through (3) above are undertaken is intended to make the financial or other services less attractive to those who try to use them for money laundering or any other illicit purposes and to ensure traceability of illicit funds. Meanwhile, the STR regime as described in (4) in which reported information will be used for investigations into money laundering and/or predicate offenses, is also intended to protect the financial system from misuse to ensure its soundness. Measures (as noted in (7)) are intended to ensure accuracy of the customer identification process during transactions, making the process more efficient. These measures are expected to help specified business operators to be aware of ML/TF risks more comprehensively and efficiently.

The purpose of notification pertaining to enhanced verification at the time of the conclusion of correspondence contracts and foreign exchange transactions described in (5) and (6) is to make the financial or other services less attractive to those who try to use them for international money laundering and also to ensure international traceability of illicit funds.

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<sup>1</sup> A correspondent banking contract is concluded by a Japanese financial institution with a foreign financial institution with regard to deputy work related to exchange business for the purpose of international settlements. This contract makes it possible for Japanese financial institutions which do not have deposit accounts at foreign banks to indirectly make settlements using other banks' deposit transaction relationships.

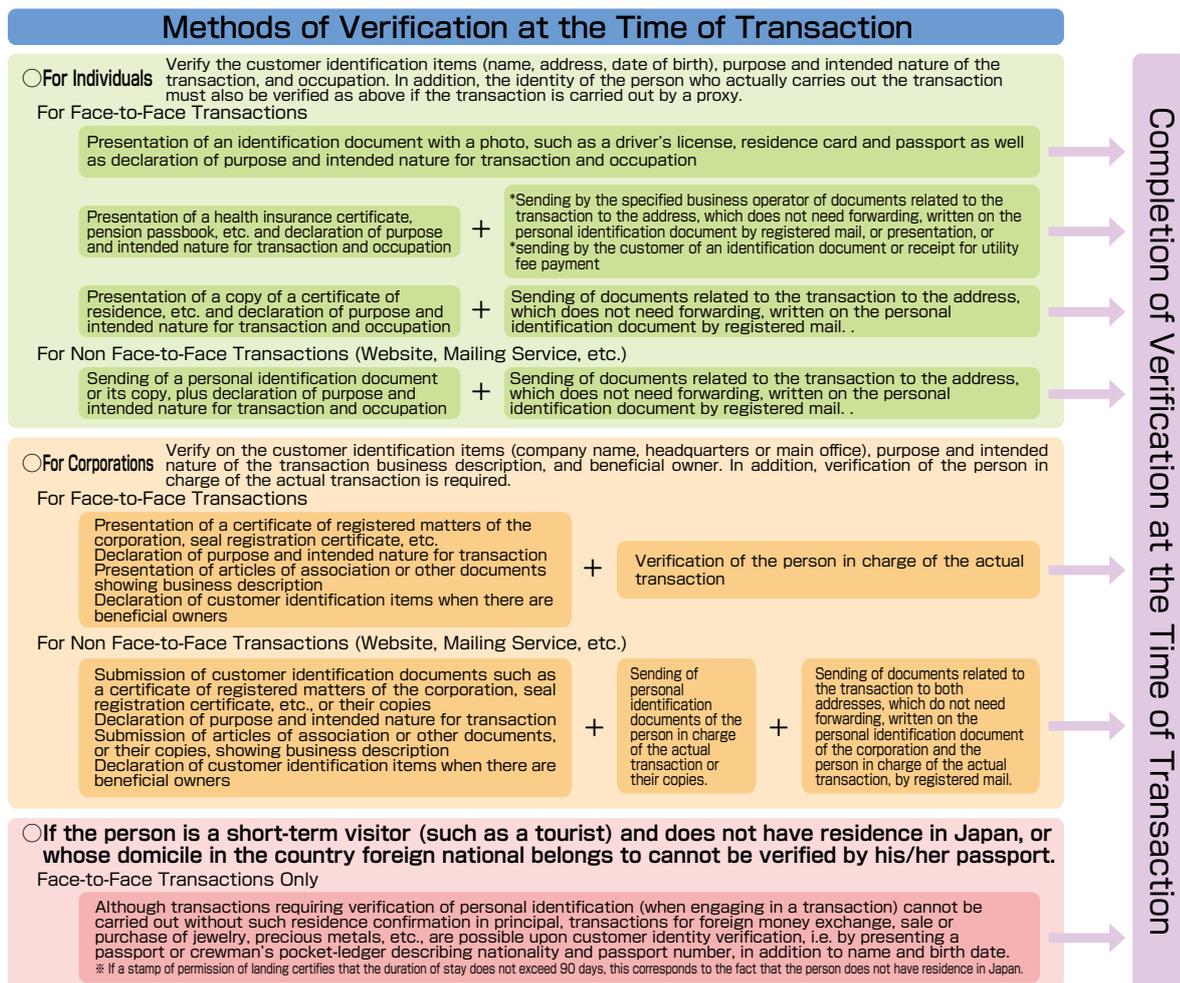
Table 2-1 【Measures that Must be Implemented by Specified Business Operators under the Act】

Mandatory measures Specified business operators (Article 2, paragraph (2))	Verification at the time of transaction [Article 4]	Preparation and preservation of verification records [Article 6]	Preparation and preservation of transaction records etc. [Article 7]	Reporting of suspicious transactions [Article 8]	Enhanced verification at the time of the conclusion of correspondence contracts [Article 9]	Notification pertaining to foreign exchange transactions [Article 10]	Measures to ensure thorough and effective CDD measures to be taken [Article 11]
Financial institutions (items 1 through 37)	○			○	○ (Limited to those who conduct exchange transactions on a regular basis)	○ (Limited to those who conduct exchange transactions on a regular basis)	○
Financial leasing operators (item 38)							
Credit card operators (item 39)							
Real estate agents (item 40)							
Dealers in precious metals and stones (item 41)							
Postal receiving service providers (item 42)							
Telephone receiving service providers (item 42)							
Telephone forwarding service providers (item 42)							
Judicial scriveners (item 44)	○ (Only identification data)				×	×	
Certified administrative procedures specialists (item 45)							
Certified public accountants (item 46)							
Certified public tax accountants (item 47)				×			
Lawyers (item 43)	As prescribed by the bylaws set by the Japan Federation of Bar Associations based on examples of judicial scriveners, etc. (Article 12).						As prescribed by the bylaws set by the Japan Federation of Bar Associations based on examples of judicial scriveners, etc. (Article 12)

**Table 2-2 [Specified Business Affairs and Specified Transactions Requiring Performance of Obligations by Specified Business Operators]**

Specified business operators (Article 2, paragraph (2))	Specified business affairs	Specified transactions
Financial institutions (items 1 through 37)	Business affairs conducted by financial institutions, etc. (limited to business affairs regarding finance)	Conclusion of deposit/savings contracts (which means contracts for the acceptance of deposits or savings), large cash transactions exceeding 2 million yen, cash remittance exceeding 100,000 yen, etc.
Financial leasing operators (item 38)	Financial leasing business affairs (limited to transactions which cannot be terminated earlier than the end of a contract, and to cases where the lessor enjoys the benefit associated with use of leased product and bears the cost)	Conclusion of lease contracts of goods whose lease fee exceeds 100,000 yen per payment
Credit card operators (item 39)	Credit card business affairs	Conclusion of contracts for the delivery or issuance of a credit card
Real estate agents (item 40)	Business affairs which pertain to buying and selling of building lots or buildings, or agent work or intermediation thereof	Conclusion of contracts for buying and selling of building lots or buildings, or agent work or intermediation thereof
Dealers in precious metals and stones (item 41)	Business affairs which pertain to buying and selling of precious metals (gold, platinum silver and alloys of these metals) and jewelry (diamonds and other precious stones, semiprecious stones and pearls)	Conclusion of contracts for buying and selling precious metals, etc. whose payment amount exceeds 2 million yen by cash
Postal receiving service providers (item 42)	Business affairs for providing the service of receiving postal mail on behalf of a customer	Conclusion of contracts for the provision of service
Telephone receiving service providers (item 42)	Telephone receiving services	Conclusion of contracts for the provision of service *Conclusion of a contract including a clause stating that the operator will clearly specify the company name of the agent when receiving a telephone call is excluded. *Conclusion of a contract for call center business, etc. is excluded.
Telephone forwarding service providers (item 42)	Telephone forwarding services	Conclusion of contracts for the provision of service
Judicial scriveners (item 44) Certified administrative procedures specialists (item 45) Certified public accountants (item 46) Certified public tax accountants (item 47)	Business affairs which pertain to agent or deputy work for the following acts: · Acts or procedures concerning buying and selling of building lots or buildings · Acts or procedures concerning the establishment, merger, etc. of companies, etc. · Management or disposition of cash, deposits, securities and other property *Payment of tax, penalty, fine, etc. is excluded. *Management or disposition of others' property as a duty of a person appointed by the court or the competent administrative authority, such as a guardian of an adult, etc. is excluded.	Conclusion of contracts for carrying out agent work, etc. for the following acts: · Acts or procedures concerning buying and selling of building lots or buildings · Acts or procedures concerning the establishment, merger, etc. of companies, etc. · Management or disposition of cash, deposits, securities and other property whose value exceeds 2 million yen *Conclusion of a contract for a voluntary guardian is excluded.

Figure 2-3 Methods of Verification at the Time of Transaction



For transactions that carry a high risk of money laundering, verification of transaction purpose and intended nature must be carried out with stricter criteria. And, for transactions of over ¥2 million, verifications of assets and income are also required.

## 6 Dissemination of STR Information (Articles 13 and 14)

In order to make use of STR information for investigations conducted domestically or internationally JAFIC may disseminate such information to public prosecutors, assistant officers to prosecutors, judicial police officials (police officers, narcotics control agents and coast guards), customs officers and personnel of the Securities and Exchange Surveillance Commission (SESC) and other related investigators. JAFIC would also disclose STR information to foreign FIUs concerned based on the agreed terms of conditions.

## 7 Supervision (Articles 15 to 19, 25, 26 and 31)

The Act provides for a supervisory regime undertaken by competent administrative authorities in order to ensure the compliance of specified business operators. For this purpose, the supervising authorities would exercise a supervisory power by conducting on or off-sight inspection of the regulated businesses or issuing a rectification order for non-compliance as necessary.

Persons who have failed to submit reports or materials, or submit false reports or materials, or who refused on-site inspections, shall be punished with imprisonment with labor for not more than one year or a fine of not more than three million yen or both. A person who violates rectification order shall be punished with imprisonment with labor for not more than two years or a fine of not more than three million yen or both.

Importantly, to complement the supervision by the regulating authorities, JAFIC is authorized to advise the supervising authorities over whether appropriate actions should be taken against a specific specified business operator based on the fact of JAFIC detecting non-compliance. For the purpose of this duty, it is also granted a power of inspection of a specified business operator in doubt.

## **8 Penal Provisions regarding Receipt/Delivery/Provision of Deposit/Savings Passbooks and Exchange Transaction Cards (Articles 28 to 30)**

For years it had been a significant challenge to take actions against traded deposit/savings passbooks, ATM cards or Exchange Transaction Cards which were exposed to exploitation for the purpose of money laundering or any proceed-related crimes. In order to prevent this, the Act prohibits anyone to give or take a deposit/savings passbook as a subject of transaction no matter whether or not it is for value with a penalty of imprisonment with labor for not more than one year or a fine of not more than one million yen or both. Specifically, when such transaction is conducted as a business of any parties concerned, the penalty would be aggravated to imprisonment with work for not more than three years or a fine of not more than five million yen or both.

Furthermore, it is also prohibited that anyone invites or solicits another party to assign, deliver or provide a deposit/savings passbook no matter whether or not it is for value, resulting in a punishment of imprisonment with labor for not more than one year or a fine of not more than one million yen or both.

## **Section 2 Outline of the Act on Punishment of Organized Crimes and the Anti-Drug Special Provisions Law**

### **Paragraph 1 The Act on Punishment of Organized Crimes**

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The Act on Punishment of Organized Crimes was enacted in response to the introduction of the requirement for expanding the scope of predicate offenses of money laundering to include serious crimes due to the revision of the FATF 40 Recommendations of 1996 and the international agreement reached at the 1998 Birmingham Summit on the establishment of an FIU, and it was put into force in February 2000. In terms of criminal proceeds regulations, this law has expanded the scope of predicate offenses of concealment of criminal proceeds, etc. to include certain serious crimes. It also provides for the confiscation and collection of equivalent value of criminal proceeds, etc. Provisions concerning FIU were provided in the Act on Punishment of Organized Crimes before the enforcement of the Act on Prevention of

Transfer of Criminal Proceeds.

## 1 Criminalization of Money Laundering (Articles 9 through 11)

### (1) Illegal corporate control management (Article 9)

The Act on Punishment of Organized Crimes criminalizes the act of changing executives, etc. of a legal person as a means to control its business management by using illicit proceeds (proceeds from certain crimes, proceeds from certain drug-related criminal proceeds, assets acquired through ownership or disposition of those proceeds and assets including such assets and other assets).

### (2) Concealment of criminal proceeds (Article 10)

The following act are criminalized by this article: (i) The Act of disguising facts with respect to acquisition or disposition of criminal proceeds, (ii) the act of concealing criminal proceeds, (iii) the act of disguising facts with respect to the source of criminal proceeds.

### (3) Receipt of criminal proceeds (Article 11)

The act of knowingly receiving criminal proceeds is criminalized by this article.

## 2 Confiscation, Collection of Equivalent Value and Securance Measures (Articles 13 through 16, 22, 23, 42 and 43)

The system of confiscation and collection of equivalent value provided in the Act on Punishment of Organized Crimes is left to the discretion of the court in principle, like the system provided in the Penal Code. However, it has been strengthened compared with the system of confiscation and collection of equivalent value provided in the Penal Code, in that the scope of items subject to the system has been expanded to include monetary claims and assets obtained as the fruit of criminal proceeds and that securance measures have been established.

Regarding the restraining order for confiscation, one of the securance measures, the court may prohibit — either upon the request of a prosecutor or at based on its own authority — the disposition of assets that should be confiscated in a prosecuted case in order to prevent the disposition before a court judgment is made. In cases where there is the possibility that an offender who acquired assets that are equivalent to criminal proceeds will detect the start of investigation and dispose of the assets, the judge may prohibit the disposition of the assets upon the request of judicial police officers, etc. even before institution of prosecution for a period of 30 days or less (the period may be renewed upon the request of the prosecutor). Regarding the restraining order for collection of equivalent value, there is a similar provision to that regarding the restraining order for confiscation. (However, only the prosecutor can request a temporary restraining order before institution of prosecution.)

## Paragraph 2 Anti-Drug Special Provisions Law

The Anti-Drug Special Provisions Law was enacted for the purpose of blocking cycles of illegal proceeds derived from drug crimes, directly triggered by the UN New Narcotics Conven-

tion adopted in 1988 and the FATF "40 Recommendations" compiled in 1990, and enforced in July 1992. This law contains two items with regard to measures against drug crime proceeds as below. In terms of regulation on drug-related criminal proceeds regulations, this law provides for the following two matters:

### **1 Punishment of Money Laundering (Articles 6 and 7)**

The Anti-Drug Special Provisions Law criminalize the acts of disguising facts with respect to the acquisition or disposition of drug-related criminal proceeds and concealing and receiving such proceeds as examples of money laundering.

### **2 Confiscation, Collection of Equivalent Value and Securance Measures (Articles 11 through 13, 19 and 20)**

Drug-related criminal proceeds shall be confiscated or the equivalent value thereto shall be collected. The system of confiscation and collection of equivalent value provided in this law is mandatory in principle whereas the system provided in the Act on Punishment of Organized Crimes is discretionary.

Regarding the restraining orders for confiscation and collection of equivalent value, there are provisions similar to those under the Act on Punishment of Organized Crimes.

## **Section 3 Recent Legislative Changes**

From the AML/CFT perspective, the National Police Agency has made necessary amendments as appropriate to the Act on Prevention of Transfer of Criminal Proceeds and its subordinate decrees in order to adapt to the current AML/CFT environment.

### **1 Amendment of the Act on Prevention of Transfer of Criminal Proceeds in Response to the Emergence of Virtual Currencies**

#### **(1) Backgrounds to the amendment**

The Leaders' Declaration of the Elmau G7 Summit in June 2015 and the FATF Guidance, etc. demand the inclusion of transactions using bitcoins or other virtual currencies in the subjects of the regulations on money laundering, etc. in light of the characteristics of virtual currencies such as a high degree of anonymity and fastness and easiness of funds transfers.

In Japan, as well, there have been virtual currency-related crimes, such as drug smuggling cases wherein virtual currencies were used as means for payment, and the suspects were arrested.

Under such circumstances, as a result of deliberations with relevant ministries and agencies, including the Financial Services Agency, regulations on virtual currency exchange service providers, which provide for the registration system thereof and other particulars, were introduced through the amended Payment Services Act in March 2016. Additionally, the Bill to Partially Amend the Banking Act, etc. to Address Advances in In-

formation Technology and Other Environmental Changes, which intends to add virtual currency exchange service providers in the category of specified business operators through the partial amendment of the Act on Prevention of Transfer of Criminal Proceeds, was submitted to the 190th Diet session. The bill was enacted on May 25 and promulgated on June 3, 2016. The amended Act is put into effect on April 1, 2017.

## (2) Key points of the amendment

### A. Addition of virtual currency exchange service providers in the category of specified business operators

Virtual currency exchange service providers are newly added to the category of specified business operators, who are obliged to conduct verification at the time of transactions, prepare and preserve verification records, and report suspicious transactions.

### B. Newly established penal provisions for the provision, etc. of information necessary for the exchange of virtual currencies

The Act on Prevention of Transfer of Criminal Proceeds has penal provisions concerning receipt/delivery/provision of deposit/savings passbooks, etc. with regard to an act by a third party of disguising him/herself as another person and wrongfully using passbooks, etc. for transferring criminal proceeds (see Section 1, 8.). If information, such as IDs and passwords, necessary for receiving the provision of services under a virtual currency exchange contract is given to any third party, this would enable the third party to make transactions by disguising him/herself as another person, posing a risk of a wrongful use of the information such as for the transfer of criminal proceeds. Therefore, penal provisions to the same effect are established with regard to the receipt of information necessary for receiving the provision of services under a virtual currency exchange contract.

## 2 Amendment of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds in Response to the Occurrence of the Kumamoto Earthquake in 2016

Considering the damage caused by the Kumamoto Earthquake that occurred in April 2016, special provisions were established through the amendment of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds to introduce measures to admit that verification at the time of transactions for customers who sustained damage due to the earthquake and for whom it is found to be difficult to verify ordinary identifying matters, may be conducted based on declaration made by the customers.

These special provisions are removed on April 1, 2017 through the partial amendment of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds.

## 3 Other Points of the Amendment

Under the Act on Prevention of Transfer of Criminal Proceeds, with regard to companies, etc. listed on securities markets in jurisdictions of FATF members and those where AML/CFT measures are considered to have been fully implemented, verification of identifying matters of such companies, etc. is not required when conducting specified transactions with

them on the premise that their substantiality has normally been examined upon their listing, and such jurisdictions are to be designated in a public notice.

From this perspective, India, which is a FATF member and is found to have put in place sufficient AML/CFT measures and with whom Japan has been promoting financial cooperation, is decided to be newly added to those designated jurisdictions.

# Chapter 3

## Efforts of Specified Business Operators and Administrative Authorities to Promote Countermeasures against Money Laundering and Terrorist Financing

In order to effectively implement countermeasures against money laundering, it is critical that every obligation imposed on specified business operators is properly enforced. For this purpose, robust efforts have to be made at the private sector level. JAFIC is working together with relevant competent ministries on providing various outreach programs to support their own efforts by organizing an AML/CFT workshop and posting the latest information on the website.

Importantly, JAFIC would, when there is non-compliance, exercise its supervisory power over the non-compliance in consultation with the supervising administrative authority to issue a rectification order against the specified business operators (except for lawyers) concerned.

### Section 1 Efforts of Specified Business Operators

#### 1 Banking Industry

The “Japanese Bankers Association” (hereinafter referred to as “JBA”), of which most of the banks operating in Japan are members, established the “Working Committee on Money Laundering Issues” within the JBA in 1990 and, since then, has been taking AML/CFT measures, such as preparing and providing notices on items to keep in mind regarding CDD and STR filing, preparing and distributing seminar handbooks to members, giving seminars for its members, and so on. Furthermore, the JBA prepares leaflets, posters or the like and carries out PR activities using TVs, newspapers or other mass media to inform customers of CDD procedures. In addition, the JBA is promoting organizational measures on issues related to ML/TF inside or outside of Japan by following, at all times, the development of AML/CFT measures at the FATF, exchanging and sharing information constantly with foreign bankers associations or the like, making responses to the FATF’s mutual evaluations of Japan, and so forth. The JBA has been playing a leading part in the efforts of the banking industry, with “Code of Conduct,” (revised in November, 2013) which provides matters on compliance with laws or regulations including the prevention of ML/TF and confrontation with anti-social forces, and has prompted its members to put such into practice.

#### 2 Shinkin Banks (Credit Unions)

As for the credit union industry, in 1997 the National Association of Shinkin Banks established the Shinkin Banks Ethics Program (re-named the Shinkin Banks Action Program in

2005), under which it is aiming for “strict observance with laws, regulations and rules” and the “severance of relationships with anti-social forces”, representing efforts to observe laws and regulations related to the prevention of money laundering and to eliminate transactions made by Boryokudan and other anti-social forces.

On the issue of countermeasures against money laundering, the Association has compiled and distributed a guidebook titled “Preventing Financial Crimes and Issues at the Teller’s Window” in order to provide tellers with correct knowledge concerning the Act. The guidebook is designed as a study material for a seminar on how to verify customer identity and report suspicious transactions. In addition, in response to the partial amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014, the Association is raising members’ awareness, through documents, about the outline and expected responses concerning the amended Act.

In addition, as an effort to eliminate relationships with anti-social forces, the Association has presented examples of exclusionary clauses on the Boryokudan to be incorporated in such clauses as those on financial trading and deposit transactions. The Association also partially revised their model Articles of Incorporation in 2012 in order to eliminate any anti-social forces from capital contributing members. All Shinkin Banks have completed such revisions by now. In addition, in March 2015, the Association issued a booklet comprising reference materials to show examples that will contribute to severance of relationships with anti-social forces and provided it to members.

### **3 Credit Cooperatives**

In Japan, all credit cooperatives are members of the National Central Society of Credit Cooperatives (NCSCC). To ensure that countermeasures against ML/TF are implemented, NCSCC has been making efforts to develop relevant systems such as through the dissemination of the statements issued by the FATF and amended list of parties subject to asset freezing, such as those relating to the Taliban, and the compilation and provision of reference materials for training and examples of how to verify customer identity and undertake procedures concerning suspicious transaction reports. Furthermore, NCSCC prepares posters and leaflets to inform customers of CDD procedures and makes them available at its member credit cooperatives and on the NCSCC website and respective members’ websites. NCSCC also gave notice and held briefing sessions to explain the 2014 amendment of the Act on Prevention of Transfer of Criminal Proceeds to have its members fully understand the content thereof.

Besides, regarding the coping with anti-social forces, NCSCC communicated to its members reference examples of exclusionary clauses in various agreements concerning loans and deposit transactions, and examples of articles of incorporation to which a provision for excluding anti-social forces from among members was added. It also holds seminars on how to deal with anti-social forces with the aim of having member credit cooperatives learn about the development of appropriate systems.

Additionally, since 2014, NCSCC has been given access to the Japanese Bankers Association’s database concerning anti-social forces and has communicated information to mem-

bers to help develop their readiness to exclude anti-social forces from among members, thereby striving to take thorough steps against ML/TF and share information within the credit cooperative industry.

#### 4 Agricultural Cooperatives and Fishery Cooperatives

Regarding the prevention of ML/TF, agricultural cooperatives and fishery cooperatives have developed administrative procedures related to the implementation of verification at the time of transactions, suspicious transaction reporting, etc. based on the Act on Prevention of Transfer of Criminal Proceeds and are holding briefing sessions and training sessions for staff members. In addition, they make and issue posters intended to raise members' and users' awareness about the procedures for verification at the time of transactions.

Moreover, regarding measures to eliminate transactions with anti-social forces, the cooperatives have established internal regulations, including basic policies, based on the government's guidelines and have introduced a clause for Boryokudan exclusion in contract documents. They are also implementing examination as to whether or not customers are anti-social forces based on the database when starting transactions.

#### 5 Life Insurance Industry

The Life Insurance Association of Japan (LIAJ), of which all domestic life insurance companies in Japan are members, works to achieve appropriate operations by its members by incorporating AML/CFT and anti-social forces in its Code of Conduct.

LIAJ has compiled the "Countermeasures Against Money Laundering and Terrorist Financing Handbook" and the "Countermeasures Against Money Laundering and Terrorist Financing FAQs" (hereinafter referred to as the "Handbooks, etc.") for both executives and regular employees, thereby assisting members in their efforts. In addition, LIAJ also makes posters and presents important points pertaining to the subject on its website. In response to the partial amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014, LIAJ has reflected the amended content in these posters, notes and the Handbooks, etc. to widely disseminate the details of the amendment among its members.

To address the issue of anti-social forces, LIAJ has issued a directive entitled "Guidelines for Coping with Anti-social Forces in the Life Insurance Industry." With a view to dissolving insurance contracts of parties found to be anti-social forces or that are engaged with anti-social forces in a manner unacceptable to society, the LIAJ has issued for members entitled "Insurance Contract Rules and Regulations Regarding Anti-social Forces". In addition, the LIAJ works with the police and other external specialized institutions, creates industry databases on anti-social forces, and takes other necessary steps.

#### 6 Non-Life Insurance Industry

As for the non-life insurance industry, with a view to preventing ML/TF, verification of customer identity procedures regarding savings-type insurance or large cash transactions exposed to a high risk of ML/TF have been implemented since 1990. The General Insurance Association of Japan has acted on an industry-wide basis in providing procedures related to

customer identification, jointly issuing posters for use in store locations and writing a letter to inform its agencies, which constitute the main channel for the sale of non-life insurance, of the issue.

In addition, in response to the partial amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014, the Association revised the Administrative Reference Materials, which it had compiled for the members, in order to facilitate uniform and comprehensive verification of transactions and preparation/preservation of verification records. Additionally, the Association reviewed the content of the information posted on the special page on its website and the leaflets to be handed out to customers.

As a measure to address the issue of anti-social forces, the “fundamental policy,” which specifies the industry’s efforts to sever relationships with anti-social forces, and “model articles of incorporation,” which include a clause for Boryokudan elimination, have been formulated and published on the website of the General Insurance Association of Japan.

## **7 Securities Industry**

In the securities industry, the Japan Securities Dealers Association adopted a resolution to restrict transactions with Boryokudan members and Boryokudan-related persons in 1991, and the industry has made efforts to eliminate members of Boryokudan and such persons from securities transactions and to promote AML/CFT measures, including thorough verification of customer identity. The Japan Securities Dealers Association and each stock exchange, together with relevant authorities including the Financial Services Agency and the National Police Agency, established the “Securities Safety Liaison Committee” in November 2006 and the “Securities Safety Liaison Committee Working-level Session” under the Committee in January 2007 to examine further measures to eliminate anti-social forces from the industry. In July 2007, “Elimination of Anti-social Forces from Securities Transactions and the Securities Market” was published as an interim report of the examination results of the abovementioned working-level session. Likewise, in February 2008, the “Concept of Reporting ‘Suspicious Transactions’ among the Members” was summarized to ensure effective reporting, clarifying the need to further strengthen AML/CFT, such as the prompt reporting of suspicious transactions.

In terms of practical affairs, relevant organizations such as securities companies, the Japan Securities Dealers Association, the Stock Exchange, the Financial Bureau, Prefectural Police, the Prefectural Center for Elimination of Boryokudan and the Bar Association established the “Securities Police Liaison Council” in each prefecture, and have improved the effectiveness of the elimination of anti-social forces from the industry and of the prevention of ML/TF through information exchange at the field level or in seminars.

Additionally, the Japan Securities Dealers Association established the “Securities Safety Measures Support Center” in March 2009. It was registered as an organization for management of information on unjust demands based on the Act on Prevention of Unjust Acts by Organized Crime Group Members, by the National Public Safety Commission/the National Police Agency and started operations to receive inquiries and consultations from securities companies. Since January 2013, the Japan Securities Dealers Association’s system for

making inquiries as to whether or not a certain person is an anti-social force and the National Police Agency's database were connected with each other to check whether or not members' new customers are anti-social forces. The Japan Securities Dealers Association also strives to ensure smooth and appropriate system operation by conducting training for members concerning the inquiry service using the system and conducting onsite inspection of the members' operation.

In terms of internal systems, the Japan Securities Dealers Association also established the "Rules regarding Severing Relationships with Anti-social Forces" in May 2010, obligating each member to 1) introduce articles regarding assurance by customers "that they are not an anti-social force" when opening a new securities account, 2) introduce articles regarding elimination of anti-social forces in their transaction clauses etc., 3) screen new and existing customers, and 4) ban the conclusion of contracts with anti-social forces. Following the partial amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2011, the Association revised the "FAQ concerning the Act on Prevention of Transfer of Criminal Proceeds and Related Cabinet Orders and Ministerial Ordinances" in August 2012 and "Members' Concept of Reporting Suspicious Transactions" in March 2013, and in response to the partial amendment of said Act in 2014, revised the FAQ again in May 2016. In this manner, the Association has endeavored to raise members' awareness about actions to be taken based on the amendment of said Act.

## 8 Moneylending Industry

Japan's moneylending industry has a self-regulating body called the "Japan Financial Services Association." In efforts to prevent ML/TF and damages caused by anti-social forces, the Association implements voluntary regulations providing that relevant items should be added to internal regulations which refer to the key to internal control by members. In addition, members are provided with reference materials such as guidelines or "model regulations." These guidelines show specific examples of relevant items to be included. Moreover, to ensure effective voluntary regulation, members were inspected on the full body of their internal regulations in FY2011, and guidance and instruction were provided where any deficiency was found. As a result, all members have now devised compliant regulations.

In September FY2011, a Boryokudan exclusion clause was added to contract formats sold to members, and the revised format was posted on the Association's website, enabling all moneylending businesses to view these materials, and encouraging to adopt said clause in moneylending business. In addition, the Association also notes information on preventing ML/TF and damage caused by anti-social forces on the Association's website in order to familiarize association members with these issues.

The Association conducts inspections on both document-based and onsite-based. The Association audits member company compliance by assessing how well internal systems are established based on the directive entitled "Preventing Damages Caused by Money Laundering, Terrorist Financing, and Anti-social Forces" provided in the internal regulations.

In FY2014, in light of the revision of the Financial Services Agency's "Comprehensive Guidelines for Supervision of Money Lenders" (hereinafter referred to as the "Guidelines for Super-

vision”) the Association also made necessary revisions to voluntary regulatory rules, etc. and it inspected members with respect to all of their internal regulations and provided individual instructions as necessary. It also collects information from the National Center for the Elimination of Boryokudan and commissioned Japan Credit Information Reference Center Corp. (hereinafter referred to as “JICC”), which is a designated credit information organization under the Money Lending Act, to start specified information inquiry service, which makes it possible for members to make inquiries about whether a certain person is an anti-social force.

In FY2015, in order to contribute to the promotion of inquiries as to whether a certain person is an anti-social force in terms of ex-post verification, the Association started an additional service, i.e. a specified information feedback service, which matches registered credit information with JICC’s information concerning anti-social forces at a prescribed interval and reports the results to user members, in response to requests from members who have registered a larger volume of credit information with JICC than the prescribed level. In FY2016, with the aim of facilitating the use of this service by minor members, the number of registered credits, one of the requirements for eligibility, was reduced and the coverage was expanded from only obligors to include joint guarantors for loans for corporations.

In FY2016, in response to the full enforcement of the Act on Prevention of Transfer of Criminal Proceeds partially amended in 2014 and the revision of the Guidelines for Supervision, the Association revised the voluntary regulations and published them, thereby promoting the development of necessary systems in the moneylending industry for preventing money laundering and damage inflicted by anti-social forces.

## **9 Fund Transfer Industry**

The Japan Payment Service Association is a self-regulatory body whose purpose is to facilitate sound development of advanced payment means issuance services and fund transfer services, as well as to protect users’ profits. The Association engages in a variety of AML/CFT. In 2010, the Association enacted voluntary regulations pertaining to members’ internal systems for ensuring of verification of customer identity and suspicious transaction reporting for members. In March 2011, the Association devised an internal regulation model, as well as a system to disseminate information on parties subject to asset freezing provided by the Financial Services Agency, also for members.

With regard to information relating to the amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014, such as the need to develop an internal management system for CDD procedures, etc. under the amended Act, the Association has been providing advance announcements to members and also providing related information on its website. The Association also holds seminars on the amended Act and takes up the issue of AML/CFT, thus making efforts in this field.

## **10 Leasing Industry**

The Japan Leasing Association is an industry organization for the public interest, comprised of companies engaged in the leasing business. In March 2008, the Association compiled and distributed an educational pamphlet regarding the Act on Prevention of Transfer of Crim-

inal Proceeds for leasing customers. Following the partial amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2011 and 2014, the Association compiled and distributed pamphlets regarding the amended Act in September 2012 and March 2016, and posted them on its website along with related materials, in efforts to further familiarize association members with the issues.

In addition, the Japan Leasing Association holds an annual training program (advanced course), in which trainees, primarily leasing company managers, are trained in the Act on Prevention of the Transfer of Criminal Proceeds.

### 11 Credit Industry

In November 2012, the Japan Consumer Credit Association has incorporated items on verification of customer identity and on suspicious reports based on the Act on Prevention of Transfer of Criminal Proceeds into its comprehensive credit purchase regulations, requiring its member companies to comply with them.

In addition, as part of its effort to promote the severance of relations with anti-social forces, the Association also collects information concerning anti-social forces from the National Center for Removal of Criminal Organizations and has developed a database for industry-wide sharing for members to make inquiries as to whether a certain person is an anti-social force. The operation of the inquiries system started in April 2014.

In July 2016, the Association held a briefing session for the members concerning the Act on Prevention of the Transfer of Criminal Proceeds, which was partially amended in 2014.

Furthermore, in order to enhance members' compliance with the Act, the Association formulated the guidelines for the documents that specified business operators are required to prepare as prescribed in Article 32, paragraph (1), item (i) of the Ordinance for Enforcement of the Act on Prevention of the Transfer of Criminal Proceeds, and reference formats therefor, and are striving to disseminate them among members.

### 12 Real Estate Industry

In December 2007, the real estate industry established the "Liaison Council for Preventing Transfer of Criminal Proceeds and Preventing Damage by Anti-social Forces in the Real Estate Industry" so that the real estate industry as a whole, can promote collective efforts to prevent the transfer of criminal proceeds and eliminate anti-social forces. It proceeds with taking measures to share the information regarding the operation of systems including the Act on Prevention of Transfer of Criminal Proceeds, through efforts such as agreeing to the development of a responsibility system within relevant business operators, and preparing and distributing brochures etc. for the purpose of enlightenment.

Following the partial amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014, the Council has updated its handbook for real estate agents and enhanced its FAQ section concerning the outline and implementation of the amended Act.

In addition, the Council invited lawyers and other experts as lecturers and held briefing sessions for members to have them understand actions to be taken in response to the amendment of the Act on Prevention of Transfer of Criminal Proceeds.

### **13 Jewelers and Precious Metals Industry**

Japan Jewellery Association, which is comprised of jewelers, etc., is raising members' awareness about the Act on Prevention of Transfer of Criminal Proceeds and issuing alerts. For example, it is posting information related to the Act on Prevention of Transfer of Criminal Proceeds on its website in order to deepen understanding of the legal system.

Meanwhile, the Japan Re-Jewelry Council, which is holding workshops for jewelers in order to foster personnel who will support the secondary jewelry market, requires persons aiming to acquire the qualification of "remodel counselor," who have advanced capability to provide products which meet customers' requests, to acquire knowledge concerning the Act on Prevention of Transfer of Criminal Proceeds.

The Japan Gold Metal Association, which is comprised of gold bullion dealers, is raising members' awareness about the Act on Prevention of Transfer of Criminal Proceeds and issuing alerts in order to deepen their understanding of the legal system.

### **14 Secondhand Goods Dealers and Pawnbrokers**

The Federation of Secondhand Goods Dealers Crime Prevention Cooperation Associations in Tokyo, which is the largest group of secondhand goods dealers related to crime prevention in Japan, is raising members' awareness about AML/CFT by indicating in its handbook for members the obligations imposed at the time of precious metal transactions under the Act on Prevention of Transfer of Criminal Proceeds.

The Japan Ticket Association is comprised of licensed secondhand goods dealers who also engage in ticket sales. The Association has compiled a manual of obligations required by the Act on Prevention of Transfer of Criminal Proceeds related to precious metal transactions. This manual is intended to help familiarize members with AML/CFT.

The Tokyo Pawn-Shop Cooperative is raising members' awareness about matters on the overview of the Act on Prevention of Transfer of Criminal Proceeds and specified business operators' obligations described in pamphlets for members.

### **15 Bar Associations**

The Japan Federation of Bar Associations had been examining the relation between anti-money laundering measures and the duties of a lawyer, recognizing the importance of the measures. Following the amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2011, the Federation fully revised the "Rules on Identification of Clients and Record-Keeping" and established the "Rules on Verification of Matters for Identification of Clients and Record-Keeping" (hereinafter referred to as the "New Rules") with a resolution of the extraordinary general assembly meeting in December 2012. The Federation also established the Regulations on Verification of Matters for Identification of Clients and Record-Keeping" (hereinafter referred to as the "New Regulations") with a resolution of the board meeting in the same month. The New Regulations and Rules stipulate the obligations of a lawyer; e.g., verifying the identity of a client, preserving the records for certain practices, and not accepting a request if there is suspicion of being used for transfer of criminal proceeds. The New Regulations and Rules were put into effect in March 2013. In order to re-

spond to the partial amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014, the Federation partially revised the New Rules through a resolution adopted at an extraordinary general meeting in December 2015, and also partially revised the New Regulations through a resolution adopted at the board meeting in January 2016. The New Rules and Regulations were put into effect on October 1, 2016, accompanying the full enforcement of the Act partially amended in 2014.

Additionally, the Order for Partial Amendment of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds was promulgated and enforced in April 2016 following the Kumamoto Earthquake. Through this amendment, provisional measures were introduced for possible cases where customers have lost their identification documents and ordinary verification procedures cannot be undertaken, to admit that verification at the time of transactions may be conducted based on self-report made by customers and the regular verification is to be conducted without delay when their identification documents become available. In response, the Federation has partially revised the New Regulations through a resolution adopted at the board meeting in May 2016 to enable the members to take similar measures for their clients.

The Federation distributed to bar associations and federations of bar associations instruction manuals concerning the New Rules and Regulations and a model format for record-keeping and posted them on its members-only website in order to raise members' awareness about these matters. The Federation also holds seminars concerning AML/CFT measures for members, foreign special members and secretariat staff of law firms with personnel of the National Police Agency serving as lecturers. In the seminars, the "Risk Based Approach Guidance for Legal Professionals" (published in October 2008) and "Money Laundering and Terrorist Financing Vulnerabilities of Legal Professionals" (published in June 2013), which were formulated and published by the FATF, were translated and used as reference materials.

In addition, the Federation formulates and provides e-learning programs concerning the New Rules and Regulations to members as part of training activity and provides educational materials, including training videos and FAQ, to bar associations across the country.

Bar associations hold seminars using these educational materials on the occasion of twice-yearly training sessions for new lawyers and ethics training sessions in order to raise their awareness about the New Rules and Regulations.

## 16 Judicial Scriveners' Associations

Upon extensive consideration of the relation between money laundering countermeasures and the work of judicial scriveners, the Japan Federation of Shiho-Shoshi Lawyer's Associations partially revised its "Federation Customer Verification and Record Preservation Criteria" in October 2007. Furthermore, on February 15th, 2008, a resolution was adopted by the Board of Directors to enact the "Regulations on Client Identity Verification." In accordance with this resolution, the Federation informed scrivener associations to emphasize to their members the importance of customer identity verification procedures and record preservation. In addition, on March 18, 2010, the Board of Directors enacted its "Working Policy on Preventing the Transfer of Criminal Proceeds," instructing scrivener associations to inform

their members on the subject. The purpose of these efforts is to establish a working policy where scriveners take steps to avoid taking on any responsibility in cases in which there is a risk that their services might be misused for money laundering.

In addition, the Japan Federation of Shiho-Shoshi Lawyer's Associations, the Block Judicial Scrivener Associations, and other Judicial Scrivener Associations hold training sessions on the subject for both members and new employees. Since judicial scriveners must verify the personal identity of clients as part of their job duties, this training teaches them how to verify customer identity records and keep transaction records based on the Act on Prevention of the Transfer of Criminal Proceeds.

Since 2014, the Federation has been holding workshops for judicial scriveners with respect to the Act on Prevention of Transfer of Criminal Proceeds and AML/CFT.

### **17 Association of Certified Administrative Procedures Specialists**

To facilitate implementation of the initiatives of the Act on Prevention of Transfer of Criminal Proceeds, the Japan Federation of Certified Administrative Procedures Specialists Associations has compiled a handbook entitled "Handbook on Customer Identity Verification under the Act on Prevention of Transfer of Criminal Proceeds," which has been distributed to all members. In January 2014, the Association also partially revised the "Ethics of Certified Administrative Procedures Specialists," which specifies the basic approach to the performance of the duties of certified administrative procedures specialists and introduced a provision concerning the verification of the client identification items.

In response to the full enforcement of the Act on Prevention of Transfer of Criminal Proceeds partially amended in 2014, the Association revised and published the new version of the abovementioned Handbook, and has been continuously providing related information on its website in order to raise awareness of all members.

As well, the Association and prefectural associations of certified administrative procedures specialists are raising awareness about the verification of the customer's identification items and preservation of records on such verifications and transactions, as well as about the development of account books related to business operations specified by the Administrative Scrivener Act, via workshops for new members and compliance workshops, in light of the Act on Prevention of Transfer of Criminal Proceeds.

### **18 Japanese Institute Certified Public Accountants**

The Japanese Institute of Certified Public Accountants disseminates information on AML/CFT in regard to the Act on Prevention of Transfer of Criminal Proceeds through member newsletters and the association website, in order to thoroughly familiarize members with these issues. The Institute also periodically conducts a survey on members in order to grasp the status of members' operations and compliance with obligations such as verification of identification items.

In addition, the association conducts member workshops, in which it provides overviews of the Act on Prevention of Transfer of Criminal Proceeds and AML/CFT.

## Section 2 Collaboration with the Private Sector

### Paragraph 1 AML/CFT Workshop for Information Sharing and Feedback in 2016

#### 1 Workshops for Financial Institutions, etc.

- (1) The National Police Agency jointly held with the Financial Services Agency, the “Suspicious Transaction Reporting Workshop” for financial institutions 14 times, at a total of 12 places around the country, from October to November 2016, where they gave feedback learned from case studies of actual investigations involving STR information and advice with regard to key points in performing the reporting work and explained the overview of the amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014. Moreover, personnel of the National Police Agency visited 40 banks and other financial institutions across Japan and provided explanations regarding example cases of suspicious transaction reporting and points of attention concerning reporting work.
- (2) In September 2016, the National Police Agency sent personnel to briefing sessions held in seven places across the nation by the Ministry of Finance targeting currency exchanging operators to provide explanations concerning the overview, etc. of the amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014.
- (3) In August 2016, the National Police Agency sent personnel to a briefing session in Tokyo held by the Commodity Futures Association of Japan targeting futures commission merchants to provide explanations concerning the overview, etc. of the amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014.

#### 2 Briefing Sessions for Credit Card Operators

In July 2016, the National Police Agency sent personnel to a briefing session in Tokyo held by the Japan Consumer Credit Association targeting credit card operators to provide explanations concerning the overview, etc. of the amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014.

#### 3 Briefing Sessions for Real Estate Agents

In January and December 2016, the National Police Agency sent personnel to briefing sessions for real estate agents held in two places across the nation by the Ministry of Land, Infrastructure, Transport and Tourism, etc. to provide explanations concerning the overview, etc. of the amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014.

#### 4 Sending Notification to Postal Receiving Service Providers

In July 2016, the Ministry of Economy, Trade and Industry sent a notification to postal receiving service providers of the overview, etc. of the amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014 in order to raise awareness about said amendment. In August 2016, the National Police Agency sent personnel to briefing sessions (twice) in To-

kyo and a briefing session in Osaka held by the Ministry to provide explanations concerning the overview, etc. of the amended Act.

## 5 Sending Notification to Telephone Forwarding Service Providers, etc.

In May 2016, the Ministry of Internal Affairs and Communications sent to telephone forwarding service providers a notification of the overview of the amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014 and verification items at the time of transactions in order to raise awareness about information that they need to acquire as telecommunications business operators.

## 6 Briefing Sessions for Judicial Scriveners

The National Police Agency dispatched its officers to seminars for judicial scriveners, which were held by the Japan Federation of Shiho-Shoshi Lawyer's Associations in two places in January and November 2016, and provided explanations on the outline of the amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014.

## 7 Publication of List of Reference Cases of Suspicious Transactions

Competent administrative authorities published the "List of Reference Cases of Suspicious Transactions," which indicates red flags to which the business operators should pay particular attention to find any suspicious activities behind them when performing the reporting obligation.

## 8 PR on Website

The website of JAFIC has been created within the National Police Agency website, and its annual reports, the current status of JAFIC's activities, and a description of the Act on Prevention of Transfer of Criminal Proceeds are made available for public viewing.

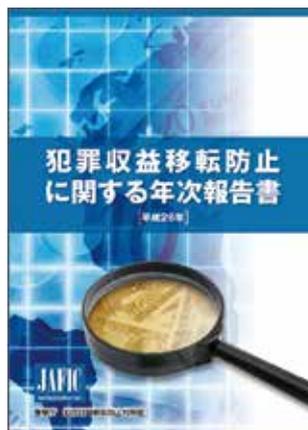
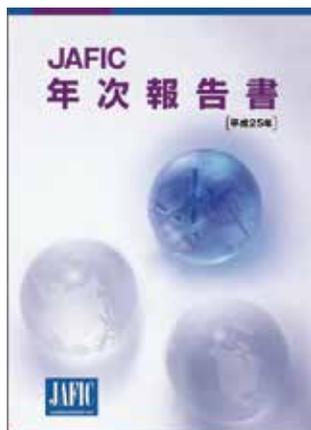
**Top page of the website of the National Police Agency**

<http://www.npa.go.jp>

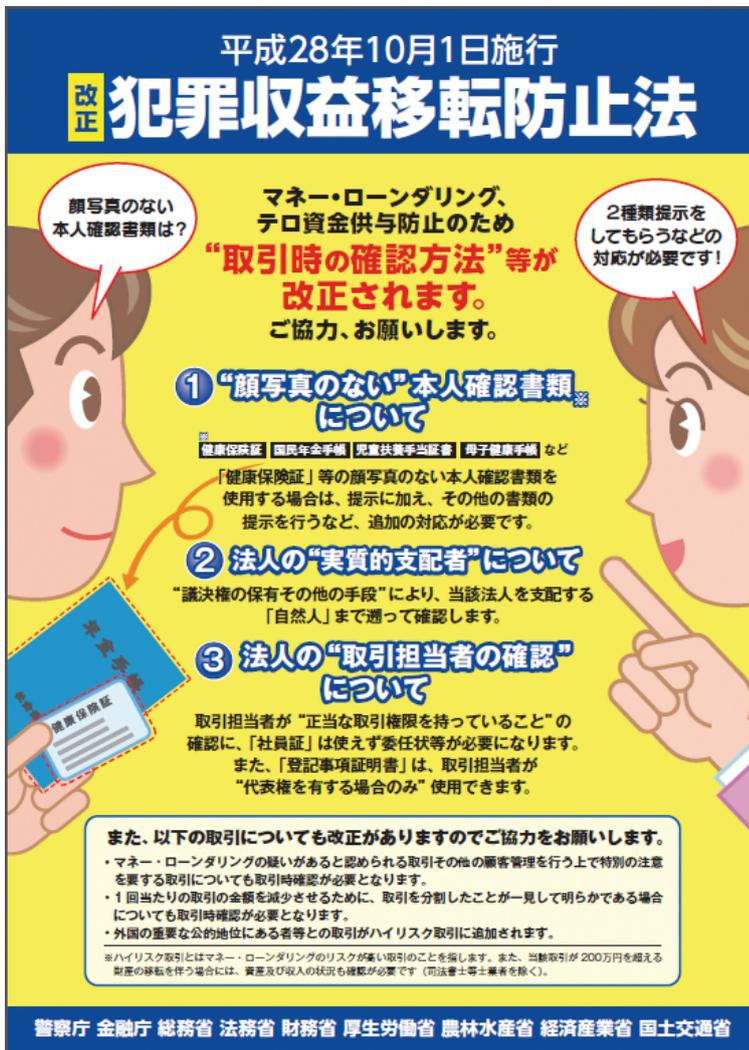
**Top page of the website of JAFIC**

<http://www.npa.go.jp/sosikihanzai/jafic/index.htm>

JAFIC Annual Report



Poster



Leaflet



## Paragraph 2 Calling for Actions by Specified Business Operators upon the Adoption of the United Nations Security Council Resolutions

When the United Nations Security Council adopts a resolution requiring countries to freeze the funds or other assets related to any persons or entities in order to prevent and suppress terrorism and terrorist financing, the National Police Agency, in cooperation with relevant Ministries and Agencies, shall disseminate the content to specified business operators (excluding lawyers, judicial scriveners, certified administrative procedures specialists, certified public accountants and tax accountants; the same applies in this paragraph) and request the thorough CDD and reporting of suspicious transactions on persons or entities subject to the resolutions concerned. And, the targeted persons or entities shall be listed on the web-site of JAFIC.

## **1 Measures based on the United Nations Security Council Resolutions (UNSCRs)**

Japan implements targeted financial sanctions to freeze assets of persons or entities associated with the Taliban according to UNSCRs concerned. Every time the list of such parties is revised, the National Police Agency requires specified business operators through supervisory authorities to ensure CDD and reporting of all suspicious transactions. Such a requirement was made a total of 12 times in 2016.

## **2 Measures based on the FATF Public Statement**

The FATF Plenary held in February, June and October 2016 adopted the Statement which called on all FATF members and other jurisdictions to apply countermeasures to protect the international financial system from ML/TF risks emanating from Islamic Republic of Iran and North Korea. In response, the National Police Agency has issued a notice through supervisory authorities that specified business operators should properly perform CDD and reporting suspicious transactions.

The Plenary also adopted a statement concerning the jurisdictions having strategic deficiencies in the measures against ML/TF, to which the National Police Agency referred in the notice above.

## **Paragraph 3 National Risk Assessment of Money Laundering and Terrorist Financing**

### **1 Backgrounds**

In modern society, where the advance of IT and the globalization of economic activities and financial services are proceeding, the situation surrounding ML/TF is constantly changing. To strenuously implement AML/CFT, global actions based on cooperation between countries need to be taken.

The FATF Recommendations revised in February 2012 (new FATF 40 Recommendations) call on individual countries to identify and assess risks of ML/TF for the country.

In light of the fact that legal persons and legal arrangements are being misused for money laundering and tax evasion due to a lack of transparency over their ownership and control, at the G8 Lough Erne Summit held in June 2013, an agreement was reached on the G8 Action Plan Principles to prevent the misuse of legal persons and legal arrangements, which calls for concrete actions including that authorities should understand the risks to which their AML/CFT regime is exposed and implement proportionate measures to target those risks.

Japan formulated the national action plan in the same month to establish an inter-ministerial working team consisting of the Financial Service Agency and other relevant ministries and agencies under the chair of the National Police Agency and conduct the national risk assessment. Based on this national action plan, relevant ministries and agencies published the "National Risk Assessment of Money Laundering and Terrorist Financing" in December 2014.

Furthermore, through the partial amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014, the National Public Safety Commission has been required to prepare and

publish the National Risk Assessment Report every year since 2015, and the Commission published the report for 2016 in November.

## 2 Purpose

The national risk assessment should serve as a basis of the risk-based approach which specified business operators apply in order to perform AML/CFT measures more effectively and efficiently in a way commensurate with the level of risk of each transaction and the customer or business relationship identified through the NRA.

## 3 Overview of National Risk Assessment Report

The National Risk Assessment Report, published in November 2016, analyzed the specific characteristics of the following risk factors, measures to mitigate the risk and example cases of arrest, and indicated the risk level.

The National Risk Assessment Report is available on JAFIC's website.

- Factors related to products and services
  - Transactions related to deposit and savings accounts, domestic exchange, safe deposit boxes, bills, cheques, etc.
- Factors related to transaction type
  - Non-face-to-face transactions, cash transactions, etc.
- Factors related to countries and jurisdictions
  - Countries and jurisdictions indicated in the FATF Public Statement of their deficiencies on measures against ML/TF
- Factors related to customers
  - Anti-social forces, international terrorists, non-residents, etc.

## Section 3 Requests to Submit Reports and Opinion Statements in 2016

When suspicion surfaces during the investigation of cases including special fraud cases by the Prefectural Police with regard to the possibility that a specific business operator (excluding lawyers; the same applies in this section) violates the obligation of customer identity verification and other matters prescribed in the Act on Prevention of Transfer of Criminal Proceeds, the National Public Safety Commission/the National Police Agency make requests to the alleged specified business operators for submission of reports, and make opinion statements to competent administrative authorities.

### 1 Requests to Submit Reports and Opinion Statements by the National Public Safety Commission/the National Police Agency

In 2016, the National Public Safety Commission/the National Police Agency made 9 requests to submit reports to Postal Receiving Service Providers. In addition, based on the past reports submitted, they issued to competent administrative authorities in charge of supervising specified business operators opinion statements to the effect that necessary

measures should be implemented in order to rectify violations of the Act on Prevention of Transfer of Criminal Proceeds by specified business operators in 2016; specifically, eight statements to the Minister of Economy, Trade and Industry, which is the authority over postal receiving service providers.

No onsite inspections by police officers were performed.

**Table 3-1 Number of Supervisory Actions**

Category	Year				
	2012	2013	2014	2015	2016
Number of requests to submit reports to specified business operators	9	11	10	11	9
Postal receiving service providers	8	10	8	9	9
Telephone receiving service providers	1	0	0	0	0
Telephone forwarding service providers	0	0	2	0	0
Providers of both postal receiving service and telephone forwarding service	0	1	0	2	0
Number of directions to conduct inquiry to prefectural police	3	1	5	2	0
Postal receiving service providers	3	0	4	2	0
Telephone forwarding service providers	0	0	1	0	0
Providers of both postal receiving service and telephone receiving service	0	1	0	0	0
Number of opinion statements made to competent administrative authorities	10	10	11	10	8
Postal receiving service providers	8	9	9	8	8
Telephone receiving service providers	1	1	0	0	0
Telephone forwarding service providers	0	0	2	2	0
Certified administrative procedures specialists	1	0	0	0	0

## 2 Issuing of Rectification Order by Competent Administrative Authorities Based on Opinion Statements

In 2016, no rectification orders were issued by competent administrative authorities based on Opinion Statements issued by the National Public Safety Commission/the National Police Agency.

**Table 3-2 Number of Rectification Orders by Competent Administrative Authorities**

Category	Year				
	2012	2013	2014	2015	2016
Number of rectification orders based on Opinion Statements	9	7	3	5	0
Postal receiving service providers	8	6	3	5	0
Telephone receiving service providers	0	0	0	0	0
Certified administrative procedures specialists	1	1	0	0	0

# Chapter 4

## Reports of Suspicious Transactions

The Act on Prevention of Transfer of Criminal Proceeds requires specified business operators to file a report to competent administrative authorities when a transaction is suspected to be related to criminal proceeds (lawyers, judicial scriveners, certified administrative procedures specialists, certified public accountants and certified public tax accountants are not subject to this obligation). The Suspicious Transaction Reporting System was specified for the first time under the Anti-Drug Special Provisions Law in light of developments related to international countermeasures against money laundering. As it was later expanded to cover crimes other than drug-related ones, the system was specified under the Act on Punishment of Organized Crimes, and it is now specified under the Act on Prevention of Transfer of Criminal Proceeds. This measure was made an obligation for the first time in the Anti-Drug Special Provisions Law and was taken over in the Act on Prevention of Transfer of Criminal Proceeds through the Act on Punishment of Organized Crimes.

### Section 1 System Outline

#### 1 Purpose

The Suspicious Transaction Reporting System aims to support investigation on money laundering and its predicate offenses as well as terrorist financing, to prevent the misuse of financial or other services provided by specified business operators and to trust of business activity.

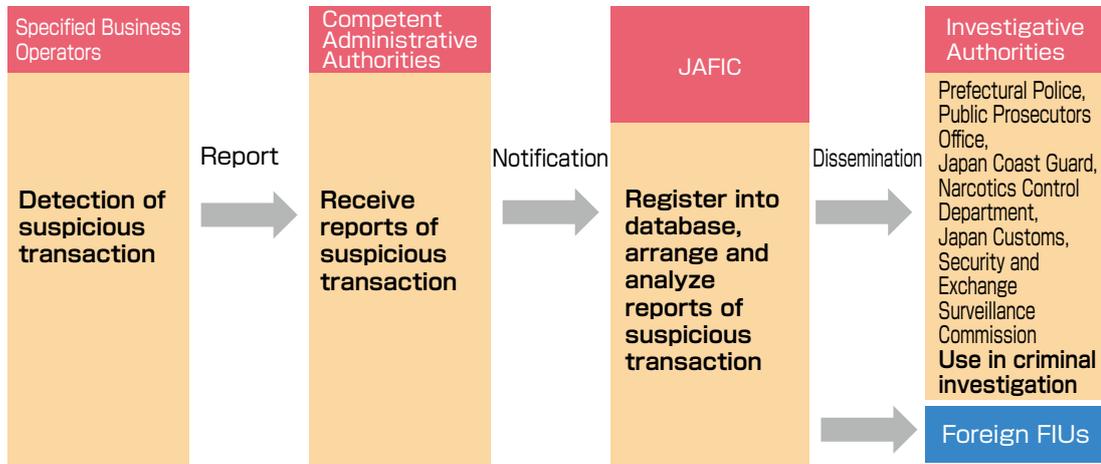
#### 2 Flow of Suspicious Transaction Reporting

Suspicious transactions reported by specified business operators are collected at JAFIC and NPSC via their competent administrative authorities. JAFIC collates and analyzes suspicious transaction reports (STRs) to disseminate those deemed valuable to receiving investigative authorities such as the Prefectural Police, the Public Prosecutors Office, etc. for their use.

The receiving investigative authorities utilize STRs as clues for initiating an investigation against a specific suspicious activity, or identifying criminal proceeds or sources of illicit funds. JAFIC also provides interested foreign FIUs with information on cross border transactions as necessary, in order to facilitate their analysis or investigation into global scale money laundering.

Furthermore at JAFIC, a detailed analysis of STRs is carried out by using the information accumulated by the police, and the outcomes are supposed to be disseminated to interested investigative authorities.

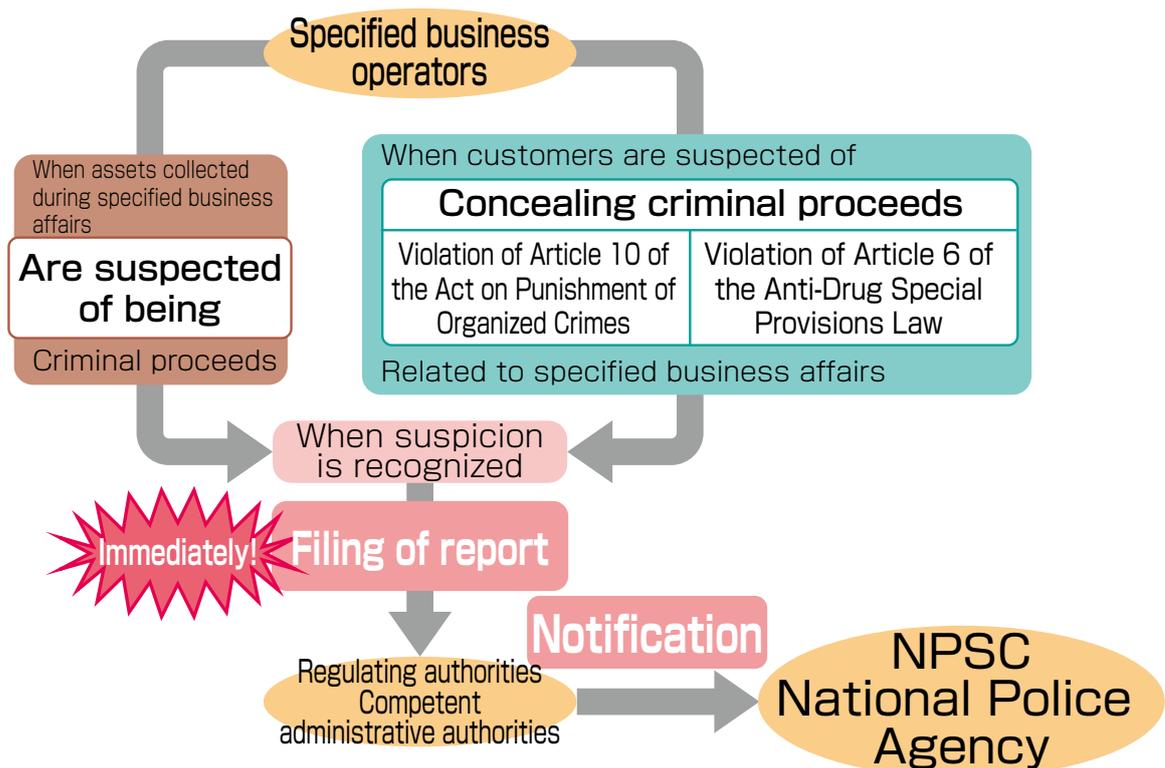
Figure 4-1 Flow of STRs from Specified Business Operators, through JAFIC to Investigative Authorities



### 3 When STRs are Required

Under Article 8 of the Act on Prevention of Transfer of Criminal Proceeds, it is required that specified business operators promptly file an STR with the competent administrative authorities when there is any suspicion, taking into account information obtained through CDD that assets they received could be criminal proceeds or that the customer could commit acts that constitute crimes under Article 10 of the Act on Punishment of Organized Crimes (concealment of criminal proceeds) or Article 6 of the Anti-Drug Special Provisions Law (concealment of drug-related criminal proceeds) with respect to specified businesses.

Figure 4-2 4-2 Cases where STRs are Required



## 4 Identification of Suspicious Transactions

Specified business operators are expected to determine whether there is any suspicious activity behind the transaction concerned based on their own knowledge and experience in their particular field of business, also taking into account some factors including the nature of transactions or types of customers. In other words, specified business operators should determine whether the transactions are suspected of being related to ML/TF in the context of each transaction conducted. However, not all of them identify ML/TF risks in every transaction and they may find it difficult to make an appropriate determination. Therefore, competent administrative authorities that oversee specified business operators have announced “reference cases of suspicious transactions,” based on the characteristics of respective specified business operators. These cases are provided as a reference to help specified business operators find or identify suspicious transactions in their day-to-day operations. Although all the transactions that appear to match the listed samples in the reference cases do not necessarily have to be reported as suspicious, any transaction that specified business operators determine as should be reported. As a result of the full enforcement of the amended Act on Prevention of Transfer of Criminal Proceeds on October 1, 2016, a provision concerning determination related to suspicious transaction reporting was introduced to require that specified business operators make determination as to whether or not to submit a suspicious transaction report under a method(Note) prescribed by the competent ministry’s relevant ordinance while taking account of the contents of the NRA in addition to the results of verification at the time of transactions.

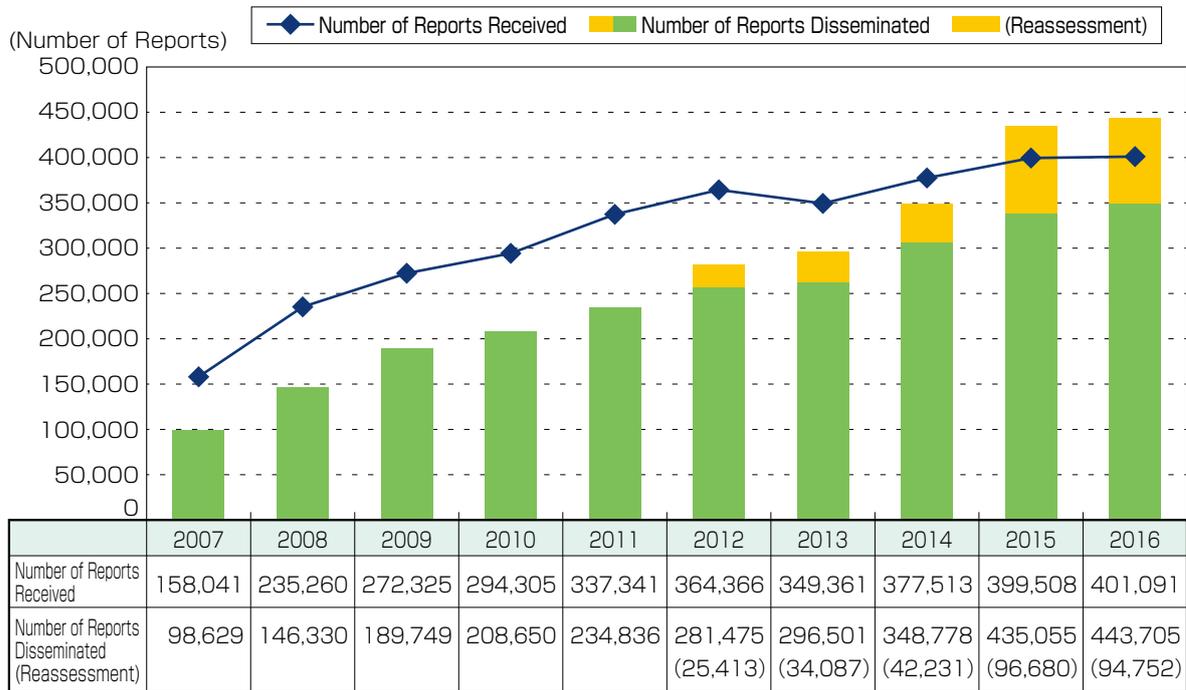
Note: Methods, etc. of verification whether there is a suspicion of ML through comparison of the nature of transactions with those of usual transactions, comparison with past transactions with the same customer, and checking of the consistency with the content verified at the time of transactions, etc.

## Section 2 Situation of STR Filings in 2016

### 1 Transition of the Number of STR Filings

Although the suspicious transaction reporting system was established with the enforcement of the Anti-Drug Special Provisions Law in 1992, less than 20 reports were received each year between 1992 and 1998, largely because the subjects of reporting was limited to proceeds derived from drug-related crimes. Under these conditions, that reporting system could not be considered to be fully functional. However, since the enactment of the Act on Punishment of Organized Crimes in 1999, crimes subject to suspicious transaction reports were extended besides drug-related crimes to include other serious crimes as specified by the act, and the number of reports received exceeded 1,000 cases in the same year. Since the enforcement of the Act on Punishment of Organized Crimes in the year 2000, the number of reports has increased every year, and has kept increasing since the partial enforcement of the Act on Prevention of Transfer of Criminal Proceeds in 2007. The number of reports received in 2016 was 401,091, increasing by 1,583 cases (0.4%) from the previous year (see Figure 4-3).

Figure 4-3 Trend Diagram of Number of STRs (2007-2016)



Note 1: "Number of Reports Received" (2003-2012) is the total number of the reports received by the Financial Services Agency (JAFIO) until March 2007 and those received by the National Public Safety Commission/the National Police Agency (JAFIC) after April 2007.

Note 2: "Number of Reports Disseminated" (2002-2011) is the total number of the reports disseminated by JAFIO to the National Police Agency until March 2007 and those disseminated by JAFIC to investigative authorities etc. after April 2007.

Note 3: The number of reassessed cases refers to the number of cases concerning which it was judged that information that had been withheld from dissemination for such reasons as that the information is relating to a case under investigation could be disseminated as a result of the review and analysis of the information (data collection of the number of reassessed cases started in 2012).

As a possible underlying factor of this trend, the following can be raised.

- Spreading compliance culture among the general public has encouraged financial institutions' efforts in fighting against anti-social forces and applied stringent monitoring over their financial or other economic activities.
- The effect of education on the necessity of reporting suspicious transactions, via seminars, etc. held for financial institutions, etc.

Specifically, financial institutions have allocated much more resources to various AML/CFT measures. In particular, financial institutions with larger submission of STRs are promoting training programs for their employees to improve the individual AML/CFT capability, while having strengthened the IT system to identify suspicious transactions, by increasing the number of personnel in charge of money laundering countermeasures and the introduction of the detection systems for suspicious transactions.

The number of STRs deleted in 2016 was 6,125 and the number of STRs stored as of the end of 2016 was 3,564,719.

## 2 Number of Received Reports by Business Types

The number of suspicious transaction reports that each category of business operators filed in 2016 is shown in Table 4-1. Banks etc. have the highest number of reports with 354,346 cases, or 88.3% of all reports, followed by credit card operators (13,436 cases, or 3.3%) and Shinkin banks and credit cooperatives (13,070 cases, or 3.3%) (see Table 4-1).

Table 4-1 Number of Received STRs by Each Business Type

Category	2012		2013		2014		2015		2016	
	Number of reports	%								
Financial Institutions etc.	360,513	98.9%	344,147	98.5%	366,779	97.2%	385,639	96.5%	387,399	96.6%
Depository Institutions	348,831	95.7%	329,127	94.2%	349,204	92.5%	366,965	91.9%	369,936	92.2%
Banks etc.	333,868	91.6%	313,435	89.7%	332,443	88.1%	351,009	87.9%	354,346	88.3%
Shinkin Banks and Credit Cooperative	13,521	3.7%	14,089	4.0%	15,018	4.0%	13,188	3.3%	13,070	3.3%
Labour Banks	357	0.1%	290	0.1%	298	0.1%	371	0.1%	453	0.1%
Norinchukin Banks etc.	1,085	0.3%	1,313	0.4%	1,445	0.4%	2,397	0.6%	2,067	0.5%
Insurance Companies	1,837	0.5%	3,002	0.9%	3,817	1.0%	2,918	0.7%	2,310	0.6%
Financial Instruments Business	5,998	1.6%	7,373	2.1%	7,732	2.0%	8,951	2.2%	8,528	2.1%
Money Lending Business	1,628	0.4%	1,872	0.5%	3,349	0.9%	4,427	1.1%	5,263	1.3%
Fund Transfer Companies	380	0.1%	363	0.1%	807	0.2%	585	0.1%	539	0.1%
Commodity Futures Traders	3	0.0%	53	0.0%	16	0.0%	9	0.0%	16	0.0%
Currency Exchanging Operators	1,835	0.5%	2,119	0.6%	1,574	0.4%	1,633	0.4%	627	0.2%
Electronic Monetary Claim Recording Institutions	1	0.0%	1	0.0%	0	0.0%	0	0.0%	3	0.0%
Other	0	0.0%	237	0.1%	280	0.1%	151	0.0%	177	0.0%
Financial Leasing Operators	109	0.0%	62	0.0%	86	0.0%	160	0.0%	214	0.1%
Credit Card Operators	3,664	1.0%	5,086	1.5%	10,608	2.8%	13,666	3.4%	13,436	3.3%
Real Estate Agents	10	0.0%	1	0.0%	1	0.0%	9	0.0%	8	0.0%
Dealers in Precious Metals and Stones	28	0.0%	7	0.0%	5	0.0%	10	0.0%	27	0.0%
Postal Receiving Service Providers	42	0.0%	57	0.0%	34	0.0%	24	0.0%	6	0.0%
Telephone Receiving Service Providers	0	0.0%	0	0.0%	0	0.0%	0	0.0%	1	0.0%
Telephone Forwarding Service Providers	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Other	0	0.0%	1	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	364,366	100.0%	349,361	100.0%	377,513	100.0%	399,508	100.0%	401,091	100.0%

## 3 Number of Received Reports Classified by Methods

According to reports of suspicious transaction by method, report by electronic application

using the e-governance on-line window (e-Gov), or other means (for example, sending documents etc. to the competent administrative authorities) are described in Table 4-3.

**Table 4-2 Number of Received Reports Classified by Method**

Notification Method	2012		2013		2014		2015		2016	
	Number of reports	%								
Electronic Application	236,882	65.0%	255,258	73.1%	295,640	78.3%	366,843	91.8%	387,724	96.7%
Other Methods	127,484	35.0%	94,103	26.9%	81,873	21.7%	32,665	8.2%	13,367	3.3%
Total	364,366	100.0%	349,361	100.0%	377,513	100.0%	399,508	100.0%	401,091	100.0%

JAFIC will continue working on further prevalence of the online reporting at all opportunities in order to reduce burdens on specified business operators associated with the reporting obligation.

## Section 3 Dissemination and Use of STRs in 2016

### Paragraph 1 Dissemination

JAFIC collects, arranges and analyzes all STRs that will contribute to the investigation of money laundering, predicate offenses or other offenses, and disseminates them to LEAs. The number of STRs disseminated to LEAs has kept growing every year mainly because the number of suspicious transaction reports deemed to contribute to the investigation of money laundering crimes and predicate offenses for such crimes has increased as a result of efforts by specified business operators to strengthen the system to monitor anti-social forces and transfer of illicit funds. The number of STRs disseminated to LEAs was 443,705, a record high, in 2016, an increase of 8,650 (2.0 %) from the previous year. (See figure 4-3) In 2016, there was no request from an investigative authority to view or copy an STR or to have a copy sent to it.

### Paragraph 2 Use of STRs in the Prefectural Police

The number of cases cleared by Prefectural Police that were initiated with information in STRs ("STR-initiated cases") was 1,091 in 2016, a decrease of 5 cases (0.5%) from the previous year.

Table 4-3 Number of STR-initiated Cases by Type of Crime

Crime	Year	2012	2013	2014	2015	2016
(i) Fraud-related crimes		719	781	833	900	925
Fraud		479	460	511	503	496
Violation of Act on Prevention of Transfer of Criminal Proceeds		240	321	322	397	429
(ii) Illegal stays		108	123	74	68	42
Violation of Immigration Act		108	123	74	68	42
(iii) Drug crimes		16	17	26	38	41
Violation of Stimulants Control Act		16	17	16	31	33
Violation of Anti-Drug Special Provisions Law		0	0	7	3	4
Violation of Cannabis Control Act		0	0	1	0	3
Violation of Act on Ensuring the Quality, Efficacy and Safety of Drug and Medical Devices, etc.		0	0	2	4	1
(iv) Money laundering offenses		6	4	16	23	21
Violation of Organized Crime Punishment Act (concealment of criminal proceeds, etc.)		4	3	8	13	16
Violation of Organized Crime Punishment Act (receipt of criminal proceeds, etc.)		2	1	8	10	5
(v) Counterfeiting crimes		6	9	21	25	19
False statement on licenses		0	1	4	5	8
Illegal preparation and supply of private electromagnetic records		2	8	10	12	8
Forgery of signed public documents		4	0	7	8	3
(vi) Loan sharks		6	9	9	6	14
Violation of Money Lending Business Act		5	8	6	4	8
Violation of Investment Deposit and Interest Rate Act		1	1	3	2	6
(vii) Gambling-related offenses		0	0	0	2	5
Operating a gambling site for profit		0	0	0	2	2
Habitual gambling		0	0	0	0	2
Gambling		0	0	0	0	1
(viii) Entertainment business-related offenses		4	0	0	4	4
Distribution of obscene materials		0	0	0	3	2
Violation of Amusement Business Act		4	0	0	1	2
(ix) Other criminal offenses		2	4	5	3	11
Theft		2	3	4	3	10
Embezzlement		0	1	1	0	1
(x) Other special criminal offenses		4	7	9	6	9
Violation of Banking Act		1	5	5	4	3
Violation of Trademark Act		1	1	2	1	1
Violation of Travel Agency Act		0	0	0	0	1
Violation of Mobile Phone Improper Use Prevention Act		1	0	0	0	1
Violation of Construction Recycling Act		0	0	0	0	1
Violation of Financial Instruments and Exchange Act		0	0	0	1	1
Violation of Copyright Act		1	1	2	0	1
(xi) Others		15	8	8	21	0
Total		886	962	1,001	1,096	1,091

Note 1: The violations of the Act on Ensuring the Quality, Efficacy and Safety of Drugs and Medical Devices, etc. in the table include cases in which the predecessor Act before the name change, the Pharmaceutical Affairs Act, was applied).

Note 2: Arrests for multiple crimes are tabulated and counted respectively as an arrest for the crime subject to the severest punishment. Arrests for multiple criminal offenses and special criminal offenses subject to the same punishment are categorized by criminal offenses, and arrests for multiple criminal offenses only and those for multiple special criminal offenses only are categorized respectively by the major offenses. Arrests for violation of the Act on Punishment of Organized Crimes and Control of Crime Proceeds are all tabulated as cases of violation of said Act irrespective of other offenses committed simultaneously.

The following describes each type of the violation.

- ( i ) Fraud-related crimes (fraud and violations of the Act on Prevention of Transfer of Criminal Proceeds) totaled 925 cases, the largest number that comprises 84.8% of all cases, which included arrests for bank passbook smuggling, fraudulent receipt of welfare benefits, fraudulent receipt of traffic insurance benefits, and fraud in relation to goods sales and investments and so forth.
- ( ii ) Illegal stays (violations of the Immigration Control Act) totaled 42 cases, which included cases of foreign nationals who had overstayed, who had worked without working qualifications, or who had used of forged residence cards, etc.
- ( iii ) Drug crimes (violation of the Stimulants Control Act and the Act Concerning Special Provisions for the Narcotics and Psychotropics Control Act for the Prevention of Activities Encouraging Illicit Conducts and Other Activities Involving Controlled Substances through International Cooperation) totaled 41 cases, which included arrests for the possession, assignment and/or receipt, or unauthorized sale of stimulants, etc.
- ( iv ) Money laundering offenses (violation of the Act on Punishment of Organized Crimes and Control of Crime Proceeds (concealment and receiving of criminal proceeds) totaled 21 cases, which included arrests for concealment and receiving of criminal proceeds obtained through fraud, loan shark crimes, etc.
- ( v ) Counterfeiting crimes (false entries in the original of an electromagnetic notarized deed and use of such deed, etc.) totaled 19 cases, which included arrests for sham marriage.
- ( vi ) Loan sharks (violation of the Money Lending Business Act and the Act Regulating the Receipt of Contributions, Receipt of Deposits and Interest Rates) totaled 14 cases, which included arrests for unregistered business operation and loan-sharking.
- ( vii ) There were five cases of gambling-related offenses (habitual gambling, opening and operation of gambling sites for profit), in which arrests were made in connection with gambling using online casino sites and gambling activity by Boryokudan members.
- ( viii ) There were four cases of entertainment business-related offenses (distribution of obscene material, and violations of the Act on Control and Improvement of Amusement Business), which included possession of obscene DVDs for sales purpose, entertainment business-related offenses in areas where the operation of entertainment business outlets is prohibited, and unlicensed engagement in entertainment business.
- ( ix ) Other criminal offenses (theft and embezzlement) totaled 11 cases, which included arrests for serial thefts from vending machines, and fraudulent cash withdrawal from ATMs using other persons' cash cards obtained through illegal means.
- ( x ) Other special criminal offenses (violation of the Banking Act or the Trademark Act, etc.) totaled 9 cases, which included arrests for unauthorized overseas remittances by foreign residents in Japan in violation of the Banking Act.

In 2016, there were 25 money laundering offense arrests which were also STR-initiated cases.<sup>(Note)</sup> By predicate offense type, fraud accounted for 40.0% of the total. (See Table 4-4)

Note: STR-initiated ML cases are 21, other STR-initiated predicate offenses and ML cases are 4.

**Table 4-4 Number of Cases in which STRs Led to Arrests Made for Money Laundering Crimes**

Predicate offenses	Year	2012	2013	2014	2015	2016
	Fraud		7	6	16	16
Violation of the Money Lending Business Act		1	1	1	2	6
Distribution of obscene objects		0	0	0	1	2
Violation of the Banking Act		0	3	3	1	2
Habitual gambling		0	0	0	0	2
Violation of the Act Regulating the Receipt of Contributions, the Receipt of Deposits, and Interest Rates		0	0	1	4	1
Violation of the Anti-Prostitution Act		0	0	0	0	1
Receipt of stolen goods for value		0	0	0	0	1
Others		7	2	4	8	0
<b>Total</b>		<b>15</b>	<b>12</b>	<b>25</b>	<b>32</b>	<b>25</b>

In 2016, the number of cases that reached confiscation and collection of equivalent value based on STRs stood at 2 (see Figure 4-5).

**Table 4-5 Number of Cases that Reached Confiscation and Collection of Equivalent Value Based on STRs**

Classification	Year	2012	2013	2014	2015	2016
	Confiscation		8	5	3	5
Collection of Equivalent Value		(5)	(1)	2(2)	1(1)	(1)
<b>Total</b>		<b>8(5)</b>	<b>5(1)</b>	<b>5(2)</b>	<b>6(1)</b>	<b>2(1)</b>

Note 1: The numbers in brackets are the number of cases that fall under both "confiscation" and "collection of equivalent value" cases. These numbers are not included in the numbers in the "confiscation" columns.

2: The years show the years in which arrests were made.

In the investigations not initiated with STRs, STRs are still a valuable source of information used by Prefectural Police in countering organized crime.

The number of STRs used for investigation by Prefectural Police was 284,914 in 2016, an increase of 19,568 cases (7.4%) from the previous year (see Table 4-6).

Table 4-6 Number of STRs Used for Investigative Purposes

Classification	Year				
	2012	2013	2014	2015	2016
Number of STRs used in investigation of initiated cases	3,811	3,781	4,608	6,308	5,961
Number of STRs used in investigation of cases other than the abovementioned cases	184,510	190,063	238,868	259,038	278,953
Total	188,321	193,844	243,476	265,346	284,914

Note 1: The number of STRs used in investigation of initiated cases shows the number of such information used when making an arrest.

Note 2: In cases where an investigation was started using STRs but did not lead to an arrest, said STRs are counted as STRs used in investigation of cases other than the abovementioned cases.

JAFIC tries to have a clear picture of fund movement resulting from illicit activities of anti-social forces such as Boryokudan by employing various sophisticated and comprehensive analysis methods against STRs in a way, for example, linking separated STRs by customer IDs indicating identical particulars and making use of information accumulated by police or publicly available information.

To date, JAFIC has come to recognize the fact that anti-social forces were involved in the legitimate financial services behind affiliated businesses, or repeatedly conducted a large amount of cross border wire transfers.

Although it can be assumed that sources of the funds handled by anti-social forces originate mainly from criminal activities, in most cases, the connection with the predicate offenses is obscured by sophisticated fund manipulation creating considerable layers of fund operation. Its recent study showed that anti-social forces managed to cover up the true nature behind affiliated businesses and engaged in fund management in consultation with experts of that area, and thus it has been made quite difficult to locate the financing activity of anti-social forces.

JAFIC is taking strong initiatives to combat anti-social forces, coordinating various cooperative works with investigative authorities, customs, SESC or foreign FIUs.

### **Paragraph 3 Utilization of Reports by National Investigative Authorities**

#### **1 The Public Prosecutor's Offices**

STRs are shared among public prosecutor's offices nationwide and are used in cases sent by investigative authorities as well as in conducting secret investigation. STRs are useful for identifying criminal facts in investigating further crimes and accomplices in the context of their utilization such as for corroborating statements by offenders and associated parties and identifying bank accounts suspected of use in crime.

STRs are also used for a wide range of activities, including monitoring the flow of funds of Boryokudan and other crime organizations and examining the actual state of organized crime.

## 2 The Narcotics Control Department

The Health, Labour and Welfare Ministry's Narcotics Control Department utilizes STRs in order to obtain identification information concerning offenders and other relevant people in relation to investigation of narcotics smuggling and keep track of the transfer of criminal proceeds. In addition, it utilizes STRs in a wide range of other activities, including investigations of smuggling cases involving foreign suspects, which have been increasing in recent years.

## 3 The Japan Coast Guard

The Japan Coast Guard utilizes STRs to analyze the relationship with those which are reported to bear a high risk of committing a crime, as well as to promote the prevention of organized smuggling of restricted items and immigrants, thus striving to take thorough frontline measures for preventing such crimes.

## 4 Customs

Customs makes a database of STRs, which is shared between customs offices across the country. STRs can be used for investigations on violation of the Customs Act by associating them with various types of information obtained individually by customs offices. Customs takes strong initiatives to stop smuggling of items such as ones that may threaten public safety and security.

## 5 The Securities and Exchange Surveillance Commission (SESC)

SESC conducts investigations into malicious activities which harm the fairness of transactions including financial instrument transactions, such as fraudulent securities reports (fraudulent accounting), insider trading, market manipulation and other fraudulent means. In investigations of criminal cases, SESC independently identifies and analyzes relevant accounts and fund flows, etc. When doing so, it actively uses STR in order to identify the facts of the offenses.

# Chapter 5

## Crackdown on Money Laundering

In order to take effective anti-money laundering measures, it is essential to understand the scale and modus operandi of money laundering.

In Japan, money laundering is criminalized as follows: the control of management of enterprises of legal persons and other entities through illicit proceeds (Article 9), the concealment of criminal proceeds (Article 10) and the receipt of criminal proceeds (Article 11) which are all stipulated in the Act on Punishment of Organized Crimes, and also the concealment of drug-related criminal proceeds (Article 6) and the receipt of drug-related criminal proceeds (Article 7) both stipulated in the Anti-Drug Special Provisions Law. They include typical money laundering activities such as transferring criminal proceeds to a certain place so that these proceeds would not be traceable and depositing criminal proceeds in a bank account under the name of another person, although all the activities to transfer criminal proceeds are not yet covered.

In addition, penalties for violation of supervision mechanisms issued by competent administrative authorities to specified business operators (excluding lawyers) and penalties for the transfer or receiving of bank account passbooks are stipulated in the Act on Prevention of Transfer of Criminal Proceeds.

The anti-money laundering achievements in Japan can be grasped to some extent by looking into the number of cleared cases related to money laundering and the amounts of criminal proceeds confiscated.

### Section 1 Arrests Made for Violation of the Act on Prevention of Transfer of Criminal Proceeds in 2016

The Act on Prevention of Transfer of Criminal Proceeds stipulates penalties to ensure the effectiveness of supervisory mechanisms put in place by the competent administrative authorities over specified business operators (excluding lawyers) and penalties on the trade of savings passbooks, and the police are enhancing its efforts to crack down on such practices. Numerous money laundering crimes involve the illicit use of savings passbooks and foreign exchange cards, etc. in the name of another party. The number of arrests made for the illicit transfer of savings passbooks in 2016 was 1,979 cases, an increase of 360 cases (22.2%) from the previous year (see Table 5-1).

Table 5-1 Number of Punishments Made under the Act on Prevention of Transfer of Criminal Proceeds

Category \ Year	2012	2013	2014	2015	2016
Transfer etc. of savings passbooks (as a business)	32	18	19	25	29
Transfer etc. of savings passbooks (as a non-business)	1,487	1,570	1,584	1,559	1,902
Soliciting the transfer of passbooks, etc.	24	17	14	16	42
Transfer of foreign exchange cards, etc.	0	0	33	19	2
Others	1	0	1	0	4
Total	1,544	1,605	1,651	1,619	1,979

## Section 2 Cleared Cases of Money Laundering in 2016

### Paragraph 1 Cleared Cases of Money Laundering under the Act on Punishment of Organized Crimes

#### 1 Number of Cleared Cases

There were 380 cases cleared of money laundering under the Act on Punishment of Organized Crimes in 2016, consisting of 0 cases of management control through illicit proceeds, 268 cases of concealment of criminal proceeds,<sup>(Note)</sup> and 112 cases of receipt of criminal proceeds. The total number of cases represented a decrease of one case (0.3%) from the previous year. (See Table 5-2)

(Note) Criminal proceeds means proceeds from criminal activities, assets deriving from criminal proceeds, or assets mixed with other assets.

Table 5-2 Number of Arrests Made for Money Laundering under the Act on Punishment of Organized Crimes

Category \ Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Management Control through Illicit Proceeds (Article 9)	0 (0)	1 (1)	0 (0)	1 (0)	1 (0)	0 (0)	2 (0)	1 (1)	2 (0)	0 (0)
Concealment of Criminal Proceeds etc. (Article 10)	137 (35)	134 (41)	172 (49)	139 (46)	150 (43)	158 (27)	171 (35)	180 (26)	234 (43)	268 (45)
Receipt of Criminal Proceeds etc. (Article 11)	40 (25)	38 (21)	54 (41)	65 (44)	92 (38)	80 (28)	99 (40)	112 (28)	145 (46)	112 (25)
Total	177 (60)	173 (63)	226 (90)	205 (90)	243 (81)	238 (55)	272 (75)	293 (55)	381 (89)	380 (70)

Note: Each number in brackets represents the number of cases conducted by Boryokudan gangsters.

Looking at the types of money laundering crimes under the Act on Punishment of Organized Crimes, the number of theft cases was the highest at 156, followed by 103 cases of fraud, 30 cases of illegal loaning, 16 cases of habitual gambling and running a gambling place for profit, and 13 cases of distribution of obscene objects.

## 2 Modus Operandi of Money Laundering Observed in Cleared Cases

### (1) Examples of Concealment of Criminal Proceeds

Instances of concealment of criminal proceeds in 2016 consisted largely of cases in which offenders attempted to transfer funds to bank accounts under the name of other persons. This is a major form of infrastructure used in money-laundering crimes.

In addition, criminals use various methods to keep investigative authorities off the track, including selling stolen items using a false name, disguising reasons with respect to acquiring criminal proceeds, and more.

#### **[Case 1] Concealment of criminal proceeds related to a fraud case**

A male construction worker disguised himself as another person and had cash totaling 4,500,000 yen, which he had defrauded from a Shinkin bank, transferred to an account under the name of said other person he manages. He was arrested for violation of the Act on Punishment of Organized Crimes (concealment of criminal proceeds).  
(Osaka, in January)

#### **[Case 2] Concealment of criminal proceeds related to a robbery case**

A man working for a welfare facility robbed a part of the sales of a gas station (cash totaling around 560,000 yen) and concealed it in a rental container that he rented under his own name. He was arrested for violation of the Act on Punishment of Organized Crimes (concealment of criminal proceeds).  
(Saga, in January)

#### **[Case 3] Concealment of criminal proceeds related to a theft case**

A man who is an employee of a company sold a watch, which he had stolen from another person's house, at a recycling shop by presenting a health insurance certificate of someone else. He was arrested for violation of the Act on Punishment of Organized Crimes (concealment of criminal proceeds).  
(Fukushima, in February)

### (2) Examples of Receipt of Criminal Proceeds etc.

In the cases on receipt of criminal proceeds which were cleared in 2016, there are cases where offenders received criminal proceeds derived from theft, fraud and habitual gambling and running a gambling place for profit through bank transfer and purchase of

stolen items, which shows these criminal proceeds can be transferred to other individuals in diverse ways.

**[Case 4] Receipt of criminal proceeds related to violation of the Anti-Prostitution Act**

A man engaged in the scouting business received cash totaling 1,800,000 yen by bank transfer as a commission from the sex trade shop to which he introduced a woman he had scouted on a street, while knowing that the money was paid from proceeds obtained through prostitution brokerage. He was arrested for violation of the Act on Punishment of Organized Crimes (receipt of criminal proceeds).

(Metropolitan Police Department, Akita, Fukushima, Ibaraki, in March)

**[Case 5] Receipt of criminal proceeds related to a theft case.**

Multiple unemployed men purchased drugs that a male acquaintance had stolen from a drug store, while knowing that they were stolen goods. They were arrested for violation of the Act on Punishment of Organized Crimes (receipt of criminal proceeds).

(Yamaguchi, in April)

### 3 Money Laundering Cases related to Boryokudan (General name for Japanese gangster organizations)

There were a total of 70 cases cleared of money laundering related to Boryokudan (including Boryokudan members, associates, and other related parties) in 2016, consisting of 45 cases of concealment of criminal proceeds, and 25 cases of receipt of criminal proceeds. This number accounts for 18.4% of all cases cleared of money laundering under the Act on Punishment of Organized Crimes in 2016.

In each type of case of money laundering related to Boryokudan, there were 22 fraud cases, 15 cases of theft, and 11 cases of loan-sharking. This indicates that Boryokudan commit money laundering by a variety of predicate offenses.

#### (1) Examples of Means of Concealment of Criminal Proceeds by Boryokudan

Looking at the cases of concealment of criminal proceeds, there were 14 cases of fraud, and 11 cases of theft, and 10 cases of loan-sharking.

The most significant modus operandi is that criminal proceeds obtained by loan-sharking are concealed in a bank account opened in another party's name and that proceeds obtained through theft and other crimes are sold under false names.

**[Case 6] Concealment of criminal proceeds related to violation of the Money Lending Business Act by a senior member of Boryokudan affiliated to Inagawa-kai**

A male senior Boryokudan member affiliated to Inagawa-kai who were engaging in loan-sharking arranged for borrowers to remit a total of around 2,900,000 yen in loan repayments to accounts opened in the names of other persons. He was arrested for violation of the Act on Punishment of Organized Crimes (concealment of criminal proceeds). (Yamanashi, in January)

**(2) Examples of Receipt of Criminal Proceeds related to Boryokudan**

Cleared cases of receipt of criminal proceeds consisted of 8 fraud cases, and 4 cases each for habitual gambling, theft and prostitution.

Cases included receipt of proceeds obtained through fraud, and protection money to the gangster organizations, providing an indication of how Boryokudan earn profit through the power or force of the organization.

**[Case 7] Receipt of criminal proceeds related to a case of habitual gambling by a senior member of Boryokudan affiliated to Rokudaime Yamaguchi-gumi and others**

A male senior Boryokudan member affiliated to Rokudaime Yamaguchi-gumi and others received 90,000 yen in cash as protection money from a manager, etc. of a casino shop while knowing that the money was paid from proceeds obtained through habitual gambling. They were arrested for violation of the Act on Punishment of Organized Crimes (receipt of criminal proceeds). (Wakayama, in August)

**4 Money Laundering conducted by Foreign Visitors to Japan**

In cleared cases of money laundering under the Act on Punishment of Organized Crimes in 2016, there were 35 cases related to foreign visitors to Japan, representing 9.2% of all cases.

Looking at these 35 cases, there were 29 cases of concealment of criminal proceeds and 6 cases of receipt of criminal proceeds. Looking at the predicate offenses, there were 17 cases of theft, and 10 cases of fraud. It can be seen that criminals of foreign nationalities operating in Japan use various methods to carry out money laundering, including the use of bank accounts in Japan made in the names of other parties.

**[Case 8] Concealment of criminal proceeds related to a special fraud and theft case**

A Chinese national residing in Japan stole a total of 1,500,000 yen using passbooks and cash cards he had defrauded from multiple victims and concealed part of the money in a coin locker. He was arrested for violation of the Act on Punishment of Organized Crimes (concealment of criminal proceeds).

(Kochi, in June)

## **Paragraph 2 Cleared Cases of Money Laundering under the Anti-Drug Special Provisions Law**

The total number of cleared cases of money laundering under the Anti-Drug Special Provisions Law in 2016 was 8 cases, unchanged from the previous year (see Table 5-3).

In some cases, money laundering is artfully committed for funds acquired through drug offenses such as smuggling of stimulants, in which purchasers' payments are deposited into a bank account under the name of another party (Case 9).<sup>(Note)</sup>

Note: Drug criminal proceeds are comprised of drug criminal proceeds and proceeds stemming from drug offense proceeds, or a mix of said proceeds and other funds. (Article 2, Paragraph 3 to 5 of the Anti-Drug Special Provisions Law).

**Table 5-3 Number of Arrests Made for Money Laundering under the Anti-Drug Special Provisions Law**

Category \ Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Concealment of drug-related criminal proceeds etc. (Article 6)	5 (4)	10 (4)	5 (1)	8 (4)	8 (3)	8 (2)	6 (6)	5 (3)	5 (3)	5 (4)
Receipt of drug-related criminal proceeds etc. (Article 7)	2 (1)	2 (1)	5 (3)	1 (1)	0 (0)	3 (2)	4 (4)	2 (2)	3 (2)	3 (2)
Total	7 (5)	12 (5)	10 (4)	9 (5)	8 (3)	11 (4)	10 (10)	7 (5)	8 (5)	8 (6)

Note: Each number in brackets represents the number of cases conducted by Boryokudan gangsters.

**[Case 9] Concealment of drug-related criminal proceeds related to trafficking of stimulants**

A man who was engaging in trafficking of stimulants sold stimulants by directly handing them or sending them by mail and arranged for customers to remit a total of approximately 3,600,000 yen in payment to an account opened in the name of another person. He was arrested for violation of the Anti-Drug Special Provisions Act (concealment of drug-related criminal proceeds). (Niigata, in January)

## Section 3 Temporary Restraining Order for Confiscation of Criminal Proceeds before Institution of Prosecution in 2016

In order to prevent criminal proceeds from being used to maintain and expand the powers of criminal organizations and being used to invest in future criminal activities, it is important to deprive them. Confiscation and collection of equivalent value of criminal proceeds are conducted based on the court order. To ensure that criminal proceeds are not concealed or spent before the order is given, the police use the system of "Temporary Restraining Order for Confiscation before Institution of Prosecution" (hereafter referred as Temporary Restraining Order) stipulated in the Act on Punishment of Organized Crimes and the Anti-Drug Special Provisions Law in order to confiscate criminal proceeds effectively.

### Paragraph 1 Temporary Restraining Order under the Act on Punishment of Organized Crimes

The number of "Temporary Restraining Orders" issued under the Act on Punishment of Organized Crimes in 2016 (on the request of judicial police officers) was 183 (a decrease of 37 cases (16.8%) from the previous year) (see Table 5-4).

**Table 5-4 Numbers of Temporary Restraining Orders Issued and Amounts Confiscated Before Prosecution under the Act on Punishment of Organized Crimes**

Year	Cases	Total amount of credit	Others
2007	21 (7)	¥268,801,546	
2008	44 (21)	¥314,239,728	
2009	54 (23)	¥270,188,760	Foreign currency: US\$750
2010	70 (36)	¥160,597,150	Land: 605.95㎡ Building: 1 Passenger vehicles: 2 Necklace: 1
2011	101 (30)	¥134,764,985	
2012	148 (39)	¥3,380,337,707	Light vehicle: 1 Passenger vehicle: 1 Condominium: 1 unit
2013	160 (54)	¥362,399,577	Land: 522.64㎡ Passenger vehicle: 1
2014	193 (45)	¥345,333,578	Pure silver bell: 1
2015	220 (44)	¥341,264,257	Passenger vehicle: 3
2016	183 (34)	¥530,718,975	

Note 1: Only the cases requested by judicial police officers.

Note 2: The number of cases in brackets represents the number of cases related to Boryokudan gangsters.

A breakdown of this figure by type of predicate offense includes 41 cases of unlicensed entertainment business, 38 cases of habitual gambling and running a gambling place for profit, 23 cases of encouragement illegal employment and 21 cases of prostitution offenses, etc. The system of “Temporary Restraining Orders” under the Act on Punishment of Organized Crimes which allows the confiscation of criminal proceeds is an effective measure to deprive offenders of criminal proceeds. The police, in good coordination with the public prosecutor’s office, will use the system effectively and prevent criminal organizations from using criminal proceeds. The police will actively make use of “Temporary Restraining Orders” in order to ensure the enforcement of confiscation orders for the purpose of the recovery of crime victim property by the public prosecutor under the “Act on the Provision of Compensation for Crime Victim Property etc.”

“Temporary Restraining Orders” issued in 2016 include numerous orders against unlicensed entertainment business. Orders were also issued for pecuniary claims for the following, which under the Act on Punishment of Organized Crime are subject to confiscation: claims on deposits, and claims on advance payment on behalf of a third party for credit sales.

**[Case 10] Temporary Restraining Order against proceeds related to habitual gambling at overseas online casinos**

Against male company executives and others, a Temporary Restraining Order was issued with regard to approximately 127 million yen, proceeds related to habitual gambling at overseas online casinos, which they saved in a safe, etc.  
(Chiba, in February)

**[Case 11] Temporary Restraining Order against proceeds related to a fraud case**

Male company executives and others had defrauded money from victims through disguising themselves as relatives of other persons and deposited such money where they were staying. A Temporary Restraining Order was issued against part of that money (approximately 1.8 million yen).  
(Kumamoto, in April)

**[Case 12] Temporary Restraining Order against revenue related to violation of the Act on Control and Improvement of Amusement Business, etc.**

A man managing restaurants was also managing a host club without authorization in violation of the Act on Control and Improvement of Amusement Business, etc. A Temporary Restraining Order was issued against the total of approximately 2 million yen, consisting of cash in revenue from the club, claims on deposits, and claims on advance payment on behalf of a third party.  
(Niigata, in February)

## Paragraph 2 Temporary Restraining Order under the Anti-Drug Special Provisions Law

The number of Temporary Restraining Orders issued under the Anti-Drug Special Provisions Law in 2016 was 16 cases, an increase of 2 cases (14.3%) from the previous year (see Table 5-5).

For example, a Temporary Restraining Order was issued against proceeds (cash and pecuniary claims) obtained from trafficking of stimulant drugs which were sold illegally (Case 13).

**Table 5-5 Number of Temporary Restraining Orders Issued and Amounts Confiscated Before Prosecution under the Anti-Drug Special Provisions Law**

Year	Cases	Total amount of credit	Others
2007	4 (3)	¥45,032,829	
2008	7 (5)	¥23,344,267	
2009	8 (5)	¥29,215,674	
2010	13 (7)	¥33,591,421	Travelers Cheque: US\$11,500 Necklace: 1 Watch: 2 Passenger vehicle: 1
2011	14 (4)	¥11,678,611	Foreign currency: US\$5,000 Passenger vehicle: 3 Key: 1
2012	16 (8)	¥30,026,428	
2013	4 (4)	¥19,985,691	
2014	16 (9)	¥40,625,322	Foreign currency: US\$20,700 Foreign currency: CNY260 Land: 150.68m <sup>2</sup> Building: 1 Passenger vehicle: 1 Car seat: 3 Key: 2 Mobile phone: 1
2015	14 (10)	¥37,318,473	Mobile phone: 1
2016	16 (12)	¥105,019,479	Passenger vehicle: 1 Claims on gold bullion: 0.85054g Claims on platinum bullion: 27.99112g

Note 1: Only the cases requested by police officers, among judicial police officers.

Note 2: The number of cases in brackets represents the number of cases related to Boryokudan gangsters.

**[Case 13] Temporary Restraining Order against drug-related criminal proceeds related to organized trafficking of stimulants**

A stimulant trafficking organization of organized crime members affiliated to Kobe Yamaguchi-gumi was identified. A male trafficker was arrested for violation of the Stimulants Control Act (possession for profit), and a Temporary Restraining Order was issued against approximately 57 million yen in cash and pecuniary claims obtained by the trafficker through trafficking of stimulants.

(Hyogo, in May)

## Section 4 Application of Provisions of Confiscation and Collection of Equivalent Value

### Paragraph 1 Application of Provisions of Confiscation and Collection of Equivalent Value under the Act on Punishment of Organized Crimes

The details of application of Provisions of Confiscation and Collection of Equivalent Value under the Act on Punishment of Organized Crimes in general court procedures (first trials) are shown in the following Table 5-6.

**Table 5-6 Statistics of the Application of Provisions of Confiscation and Collection of Equivalent Value under the Act on Punishment of Organized Crimes in General First Trials**

Year	Confiscation		Collection		Total	
	Persons	Amount	Persons	Amount	Persons	Amount
2011	93	60,899	93	819,683	186	880,582
2012	88	115,756	56	924,627	144	1,040,384
2013	119	701,489	47	16,431,835	166	17,133,324
2014	72	117,462	62	408,319	134	525,782
2015	86	1,581,286	76	2,542,167	162	4,123,454

Note 1: Data is based on the White Paper on Crime.

Note 2: Units are yen in thousands (amounts less than one thousand yen are rounded down).

Note 3: When Confiscations and Collections of Equivalent Value were ordered in duplicate for accomplices, the amount was calculated excluding the duplicate amount.

Note 4: Foreign currencies were exchanged into Japanese yen at the exchange rate of the date of the ruling.

### Paragraph 2 Application of Provisions of Confiscation and Collection of Equivalent Value under the Anti-Drug Special Provisions Law

The details of application of Provisions of Confiscation and Collection of Equivalent Value under the Anti-Drug Special Provisions Law in general court procedures (first trials) are shown in the following Table 5-7.

Table 5-7 Statistics of the Application of Provisions of Confiscation and Collection of Equivalent Value under the Anti-Drug Special Provisions Law in General First Trials

Year	Confiscation		Collection		Total	
	Persons	Amount	Persons	Amount	Persons	Amount
2011	69	21,277	273	850,882	342	872,160
2012	63	20,852	241	361,862	304	382,714
2013	61	16,407	214	506,150	275	522,558
2014	52	9,266	231	325,307	283	334,574
2015	56	11,025	199	194,243	255	205,269

Note 1: Data is based on the White Paper on Crime.

Note 2: Units are yen in thousands (amounts less than one thousand yen are rounded down).

Note 3: When Confiscations and Collections of Equivalent Value were ordered in duplicate for accomplices, the amount was calculated excluding the duplicate amount.

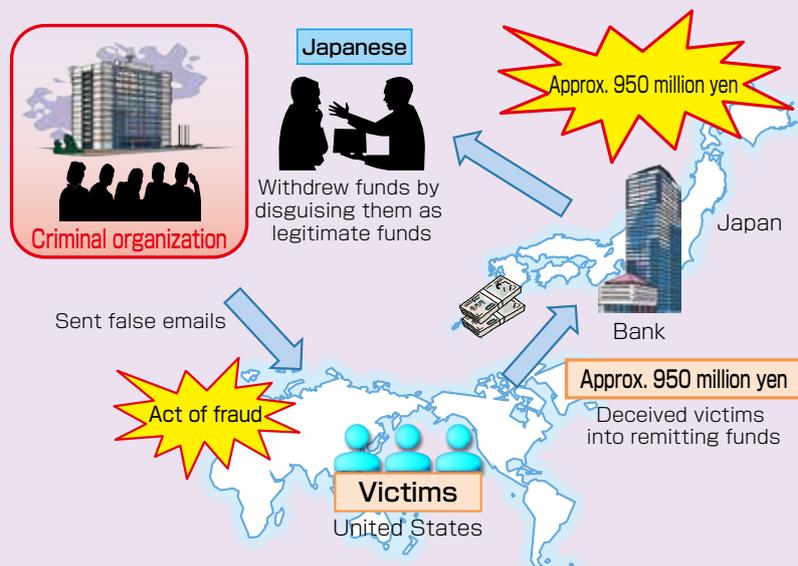
Note 4: Foreign currencies were exchanged into Japanese yen at the exchange rate of the date of the ruling.

## Section 5 Cases of Cross-Border Money Laundering

### [Case 14] Concealment of criminal proceeds related to an international fraud case by Japanese nationals that caused huge financial damage

Japanese men had sent falsified transaction emails to victims in America and made them remit funds into bank accounts in Japan opened under other persons' names. When withdrawing the funds, they falsely explained to a bank employee that those funds were remittances related to normal commercial transactions, thereby disguising the money as legitimate business profit. As a result, they were arrested for violation of the Act on Punishment of Organized Crimes (concealment of criminal proceeds) and fraud. In several years, a total of approximately 950 million yen was remitted from overseas to multiple bank accounts they had in Japan.

(Aichi, in September)



# Chapter 6

## Promotion of International Cooperation

As globalization of economy and financial services is remarkably spreading today, it has become quite easier to move money anytime and anywhere across borders. Consequently, financial services are likely to be exploited by criminal or terrorist organizations in an attempt to evade investigations of authorities in a way hiding criminal proceeds or terrorist funds through, among others, cross-border wire transactions.

To make matters worse, jurisdictions with non or insufficient compliance with global the AML/CFT regime would become a loophole and provide significant opportunity to those who are trying to commit ML/TF.

Taking these situations into consideration, it is essential for the international community to cooperate closely with each other in fighting against global scale ML/TF. In particular, in order to detect any illicit money and prevent the misuse of the world financial system, competent government authorities of all jurisdictions playing any role in AML/CFT have to share the latest trends involving ML/TF or anything undermining our efforts in timely manner, and take effective measures against ML/TF all together.

### Section 1 Activities of International Institutions

#### Paragraph 1 FATF

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##### 1 Organization

FATF is an intergovernmental body established following the “Economic Declaration” of the 1989 Arche Summit Communique to promote international cooperation on anti-money laundering measures. After the US terrorist attacks of 2001, FATF has also taken the initiative in the promotion of international CFT measures.

FATF has 35 member jurisdictions (including Japan) and 2 international institutions as of the end of December 2016.

##### 2 Activities

###### (1) Main Activities

1. Formulation and review of international standards in the “FATF Recommendations” concerning AML/CFT measures
2. Monitoring the status of compliance with the FATF Recommendations in FATF member jurisdictions (Mutual Evaluations)
3. Promotion of compliance with the FATF Recommendations to non-member jurisdictions

4. Study on trends and modus operandi of ML/TF.

## **(2) FATF Recommendations**

### a) FATF 40 Recommendations

In 1990, FATF devised standards in “the 40 Recommendations” to be applied by each jurisdiction in the field of law enforcement, legislation, and financial regulations. In 1996, FATF revised the Recommendations to make the Suspicious Transaction Report obligatory, and for other matters.

In 2003, FATF revised its recommendations to counter increasing sophistication and complexity of money laundering.

The “40 Recommendations” contained following additional elements.

- Clear definition and expansion of scope of money laundering offense
- Undertaking customer due diligence including customer identification
- Measures to prevent unlawful use of legal persons in relation to ML
- Application of preventive measures to designated non-financial businesses (real estate agents, dealers in precious metals and stones) and professions (lawyers, accountants and other professions)
- National and international cooperation among FIUs, supervisory authorities, law enforcement authorities and other governmental organizations handling issues related to money laundering

### b) FATF 9 Special Recommendations

In October 2001, a month after the US terrorist attacks, FATF held an Emergency Session. The agreement of the session was reflected in “the Special Recommendations.” Since FATF added a new recommendation on “cash couriers” to this in 2004, it is now called “the 9 Special Recommendations on Terrorist Financing.” Main points of the 9 Special Recommendations are as follows:

- Criminalization of the financing of terrorism
- Requiring suspicious transaction reporting related to terrorism
- Requiring financial institutions to include accurate and meaningful originator information (name, address and account number) on fund transfers etc.

### c) The new “40 Recommendations”

FATF had integrated the 40 Recommendations and the 9 Special Recommendations into its new “40 Recommendations” in 2012 in preparation for its fourth Mutual Evaluation.

The major points which are newly included to the new “40 Recommendations” are summarized as follows (see Table 6-1).

- Enhancing a risk-based approach
- Boosting transparency of corporations, entrustment, and wire transfer systems
- Enhancing capacity of the relevant administrative authorities and bolstering a system of international cooperation on countermeasures against ML/TF.

## **(3) Mutual Evaluation**

FATF employs a peer review approach to encourage its members to implement the Recommendations. Member jurisdictions are evaluated by other members from various view-

points such as law, regulation or control regime for anti-money laundering, and investigation of money laundering crime.

Summarily, the process of the mutual evaluation refers to the following:

1. Desk-based review of the country's level of technical compliance, and the contextual factors and ML/TF risks
2. On-site visit to clarify issues relating to the country's AML/CFT system
3. Discussion at the FATF Plenary Meeting

The scope of the evaluations will involve two inter-related components for technical compliance and effectiveness.

The scope of the evaluations involves two inter-related components for technical compliance (TC) and effectiveness. The TC component will assess whether the necessary laws, regulations or other required measures are in force and effect, and whether the supporting AML/CFT institutional framework is in place. The effectiveness component, which will be introduced in the fourth round evaluation for the first time, will assess

whether the AML/CFT systems are working, and the extent to which the country is achieving the defined set of outcomes. There are four possible levels of TC: C (Compliant), LC (Largely Compliant), PC (Partially Compliant) and NC (Non-Compliant). There are four possible levels of effectiveness: High, Substantial, Moderate and Low.

The evaluation results are summarized in the Mutual Evaluation Report (MER), which is published after being discussed and adopted (MER adoption) at the FATF Plenary Meeting. After the finalization of the evaluation, the assessed countries are required to provide follow-up reports on the status of improvement regarding deficiencies. The assessed countries will also have a follow-up assessment after five years after the finalization of evaluation, where re-ratings on TC and effectiveness will be possible as part of the follow-up process. The assessed countries could be placed in either regular followup, which requires them to provide a report two and a half years after the MER adoption, or enhanced follow-up, which requires more frequent reporting following the first report to be made at a Plenary Meeting held around one year after the MER adoption. The assessed countries are expected to address deficiencies identified in the MER.

In response to the new 40 Recommendations, the fourth round of FATF Mutual Evaluation started in 2013 and has been carried out sequentially based on the assessment methodology (evaluation standard for assessors) that was adopted in the same year.

**【FATF Plenary Meeting (France)】**



### 3 Mutual Evaluation

FATF conducted Mutual Evaluations on Japan three times (in 1994, 1998 and 2008). The fourth round Mutual Evaluation of Japan is scheduled to be conducted at a Plenary Meeting in June 2020. Specifically, the evaluation team will make an on-site visit and the evaluation will be conducted in October or November 2019.

### 4 JAFIC's Participation

As one of the founding members of FATF, Japan has been a very active contributor to its work since its establishment in 1989. Japan had participated in tri-annual Plenary Meetings and working groups which conduct analysis of money laundering typologies, and chaired the plenary between July 1998 and June 1999. Since the National Public Safety Commission / National Police Agency started to take the responsibility as Japan FIU, JAFIC has continued robust efforts even more, to lead the global AML/CFT standard setter to a better way at every meeting of the Plenary or working group.

## Paragraph 2 APG

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### 1 Organization

APG (Asia/Pacific Group on Money Laundering) is an international cooperative body whose establishment was decided in February 1997 at the FATF 4th Asia/Pacific Money Laundering Symposium held in Thailand. In the context of increasing risks of vulnerability to money laundering in the Asia/Pacific region, the APG was established to promote regional cooperation, adoption of the international standards, and to provide assistance to jurisdictions. As of the end of December 2016, the APG consists of 41 jurisdictions, including Japan.

### 2 Activities

The main activities of APG are as follows.

1. Promotion of compliance with the FATF Recommendations in the Asia/Pacific region
2. Promotion of legislation on AML/CFT in the APG member jurisdictions
3. Mutual Evaluations on APG member jurisdictions
4. Information exchange and analysis on the trend of money laundering in the Asia/Pacific region

### 3 JAFIC's Participation

Japan is one of the founding members of APG and has been actively contributing to the activities of APG, much as it has with FATF. For example, the first Plenary Meeting and second typology meeting were both held in Tokyo in March 1998 and March 1999, respectively. Japan took on the co-chair with Australia between July 2004 and

**【APG Annual Meeting (New Zealand)】**



Table 6-1 Overview of the New “40 Recommendations”

Recommendation	Outline of Recommendation	Recommendation	Outline of Recommendation
1	Assessing risks & applying a risk-based approach	22	DNFBPs: Customer due diligence
2	National cooperation and coordination	23	DNFBPs: Other measures
3	Money laundering offence	24	Transparency and beneficial ownership of legal persons
4	Confiscation and provisional measures	25	Transparency and beneficial ownership of legal arrangements
5	Terrorist financing offence	26	Regulation and supervision of financial institutions
6	Targeted financial sanctions related to terrorism & terrorist financing	27	Powers of supervisors
7	Targeted financial sanctions related to proliferation	28	Regulation and supervision of DNFBPs
8	Non profit organisations (NPO)	29	Financial intelligence units
9	Financial institution secrecy laws	30	Responsibilities of law enforcement and investigative authorities
10	Customer due diligence	31	Powers of law enforcement and investigative authorities
11	Record keeping	32	Cash couriers
12	Politically exposed persons	33	Statistics
13	Correspondent banking	34	Guidance and feedback
14	Money or value transfer services	35	Sanctions
15	New technologies	36	International instruments
16	Wire transfers	37	Mutual legal assistance
17	Reliance on third parties	38	Mutual legal assistance: freezing and confiscation
18	Internal controls and foreign branches and subsidiaries	39	Extradition
19	Higher-risk countries	40	International cooperation (information exchange with foreign counterparts)
20	Reporting of suspicious transactions		
21	Tipping-off and confidentiality		

June 2006.

Since the National Public Safety Commission / National Police Agency started to take the responsibility as Japan FIU, JAFIC has continued to work on APG and join many discussions at the annual meetings or typology studies especially the latest ML/TF trend being looking at from FIU's perspective.

## Paragraph 3 Egmont Group

### 1 Organization

The Egmont Group is an international forum established mainly by FIUs of several European nations and the United States in April 1995 with the goal of promoting cooperation on information exchange, trainings and expertise between FIUs around the world engaging in anti-money laundering measures. The group is named after the Egmont castle in Belgium where the first plenary session was held. Although the Egmont Group was established as an

informal forum at the beginning, it has become an internationally recognized official body at present, through the adoption of the Egmont Group Charter at the May 2007 annual plenary in Bermuda and the establishment of its permanent Secretariat in Toronto, Canada.

The Egmont Group revised its charter in light of the growing needs for close international co-operation between FIUs due to increasing sophistication and complexity of money laundering around the world; its increasingly diverse functions; and the inclusion of the enhancement of the FIUs' functions and a system of international cooperation in FATF's new "40 Recommendations." A new charter that better specifies the objectives and role of the Egmont Group was adopted at an annual plenary held in South Africa in July 2013.

The Egmont Group consists of FIUs of 152 jurisdictions as of the end of December 2016.

## 2 Activities of the Egmont Group

In addition to the annual Plenary Meeting which representatives from all member FIUs attend, the Egmont Group has the following working groups, which are held twice a year.

1. Working Group (WG) on information exchange concerning AML/CFT
2. Working Group (WG) on review of the candidacy of potential members, assistance and legal compliance
3. Working Group (WG) on policies and procedures
4. Working Group (WG) on technical assistance and training

## 3 JAFIC's Participation

Upon establishing JAFIO in February 2000 within the Financial Supervisory Agency (later the Financial Services Agency) as a Japanese version of FIU, Japan applied for membership in the Egmont Group, and was granted it in May 2000 at the 8th annual plenary held in Panama.

Since then, JAFIO has actively participated in the activities of the Egmont Group. It sent staff members to working group meetings and the Plenary Meetings, and took part in the drafting of the Egmont Group Charter.

JAFIO also undertook the role of FIU for supporting the application procedures (in co-sponsorship with the Thailand FIU) (hereinafter referred to as "sponsor FIU") for Myanmar FIU, which is currently not yet an Egmont Group member.

Since the National Public Safety Commission/National Police Agency started to take the responsibility as Japan FIU in April 2007, JAFIC became Japan FIU from JAFIO, was granted the Egmont Group membership at the 15th Plenary Meeting held in Bermuda in May 2007.

After joining the Egmont Group, JAFIC has sent its members to both the annual meetings and working groups to participate in the discussions on the principles related to information exchange between FIUs and other matters. JAFIC accepted the role of sponsor FIU for Paki-

**[Egmont Group Meeting (Barbados)]**



stan FIU (in co-sponsorship with the U.S. FIU) at the request of the Egmont Group in 2011. In 2012, JAFIC sent staff members to Pakistan for a joint onsite survey with U.S. FIU staff members regarding Pakistan FIU's membership qualification.

Moreover, JAFIC has taken over from JAFIO the role of sponsor FIU for the FIU of Myanmar in the application procedures into the Egmont Group, and in 2016, JAFIC staff visited the FIU of Myanmar together with the FIU of Thailand, which is a joint sponsor, to confirm the progress of procedures for joining the Egmont Group in Myanmar.

## Section 2 Progress of the International Cooperation in 2016

### Paragraph 1 Participation in the Activities of International Organizations

Table 6-2 presents that JAFIC has been actively participating in the activities of international organizations by sending its members to each occasion.

Table 6-2 Participation in the Activities of International Organizations in 2016

	Month	Name of meeting	Location
FATF	February	Plenary Meeting	Paris (France)
	June	Plenary Meeting	Busan (South Korea)
	October	Plenary Meeting	Paris (France)
APG	September	Annual Meeting	San Diego (United States)
	November	Typology Meeting	Jiddah (Saudi Arabia)
Egmont Group	February	Working Group	Monte Carlo (Monaco)

### Paragraph 2 Information Exchange with Foreign FIUs

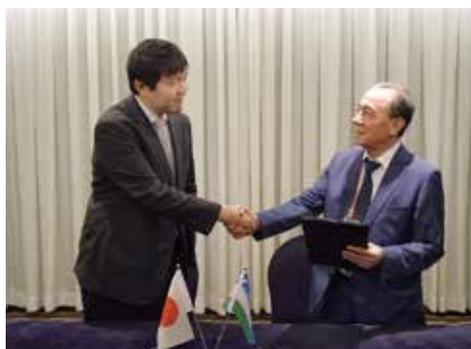
#### 1 Establishment of the Framework for Exchange of Information

It is necessary to exchange information on suspicious transactions with foreign FIUs timely in order to detect money laundering by appropriately tracing criminal proceeds or terrorist financing transferred across borders.

On the other hand, Article 14 of the Act on Prevention of Transfer of Criminal Proceeds stipulates that the National Public Safety Commission (for which JAFIC serves as a secretariat) may disseminate information on suspicious transactions to foreign FIUs on condition that there is a framework governing the restrictions on the use of the disseminated information in foreign countries.

In response, JAFIC has established the necessary framework by exchanging a document specifying the restrictions on the use of provided information and other matters with foreign FIUs.

**【Establishment of Framework with Uzbekistan FIU】**



**【Establishment of Framework with Laos FIU】**



JAFIC has been coping with the negotiations for establishing the frameworks for information exchange with numerous foreign FIUs in order to enable constructive exchange of information with them.

From its establishment of April 2007 till the end of 2016, JAFIC has set the frameworks for information exchange with the FIUs of 94 jurisdictions. (See Table 6-3)

**Table 6-3 Jurisdictions with which JAFIC has Set the Frameworks for Information Exchange between FIUs**

Year of Agreement	Jurisdictions
2007	Hong Kong, Thailand, Malaysia, Belgium, Australia, U.S., Singapore, Canada, Indonesia, U.K., Brazil, Philippines
2008	Switzerland, Italy, Portugal, Korea, Romania
2009	Paraguay, France, Qatar
2010	Turkey, Mexico, Luxembourg, Chile, Finland, India
2011	Nigeria, China, Cambodia, Macau, Cyprus, Argentina, Spain, San Marino
2012	Montenegro, Netherlands, Germany, Cayman Islands, Czech, Mongolia, Aruba, Colombia, Lebanon, Sweden, Peru, Armenia
2013	British Virgin Islands, Malta, Israel, Bermuda, Liechtenstein, Bangladesh, Sri Lanka, Denmark, Bolivia, Russia, Slovenia, Seychelles, Senegal, Costa Rica, Bahrain, Latvia, Vietnam, Turkmenistan, Poland, Isle of Man, Jersey, Guernsey, New Zealand, Nepal
2014	Algeria, Monaco, Saint Martin, Saint Vincent and the Grenadines, Anguilla, Panama, Curaçao, Gibraltar
2015	Myanmar, Cabo Verde, Turks and Caicos Islands, Fiji, Jordan, Tajikistan, Kyrgyzstan, Kazakhstan
2016	Norway, Mauritius, Uzbekistan, Egypt, Cuba, Laos, Ghana, Malawi

## 2 Situation of Information Exchange

JAFIC exchanges suspicious transaction information with foreign FIUs in a positive and expeditious manner.

As JAFIC allocated sufficient resources to STR analysis, it has made actively arrangements on information exchange with foreign FIUs. In 2016, unusual or unreasonable money transfers to and from foreign countries, which were identified in STR analyses, JAFIC, for further analysis, made 149 requests to relevant foreign FIUs for information such as the flow of funds transferred out of Japan, the source of remittance from abroad.

In addition to these requests for information, between FIUs, there are mechanisms for spontaneously exchanging information which is useful for effective AML/CFT.

The number of cases where JAFIC exchanged information with foreign FIUs in 2016 totaled 292. (See Table 6-4)

**Table 6-4 Number of Cases of Dissemination of and Request for Information between JAFIC and Foreign FIUs**

Category	Year				
	2012	2013	2014	2015	2016
Number of requests for information from foreign FIUs to JAFIC	53	73	34	67	60
Number of requests for information from JAFIC to foreign FIUs	100	159	166	183	149
Number of spontaneous disclosure from foreign FIUs to JAFIC	29	28	37	50	37
Number of spontaneous disclosure from JAFIC to foreign FIUs	9	21	17	30	46
Total	191	281	254	330	292



**JAFIC:**  
**Japan Financial Intelligence Center**