

# **Summary of the Annual Report 2019**

- **This is the summary of the 2019 annual report on the prevention of transfer of criminal proceeds. Please see the complete annual report for the details.**

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# 1. History of AML/CFT Efforts in Japan (Chapter 1)

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 will continue to be utilized for further crimes or be used to promote organized crimes or terrorism. Money laundering could also pose a serious threat to sound economic activities. Therefore, Japan has improved its anti-money laundering measures in cooperation with the international community as follows:

## Global Events

- 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)
- April 1990  
**FATF issued the 40 Recommendations** (Standards for anti-money laundering measures to be taken by each country)
  - Customer identification by financial institutions
  - Reporting of suspicious transactions to financial regulatory authorities
- 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)
- 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.)
- June 2003  
**FATF re-revised the 40 Recommendations** (Application of recommendations to nonfinancial businesses (real estate agents, dealers in precious metals, dealers in precious stones, etc.) and professions (lawyers, accountants, etc.))
- October 2008  
**Third FATF mutual evaluation of Japan**
- June 2014  
**FATF announced a statement on Japan** (FATF requested Japan to take prompt response to insufficient parts of the AML/CFT measures.)
- June 2015  
**G7 Elmau Summit** (Declaration regarding the introduction of an appropriate regulation of virtual assets)
- November 2019  
**Fourth FATF mutual evaluation of Japan** (On-site evaluation)

## Events in Japan

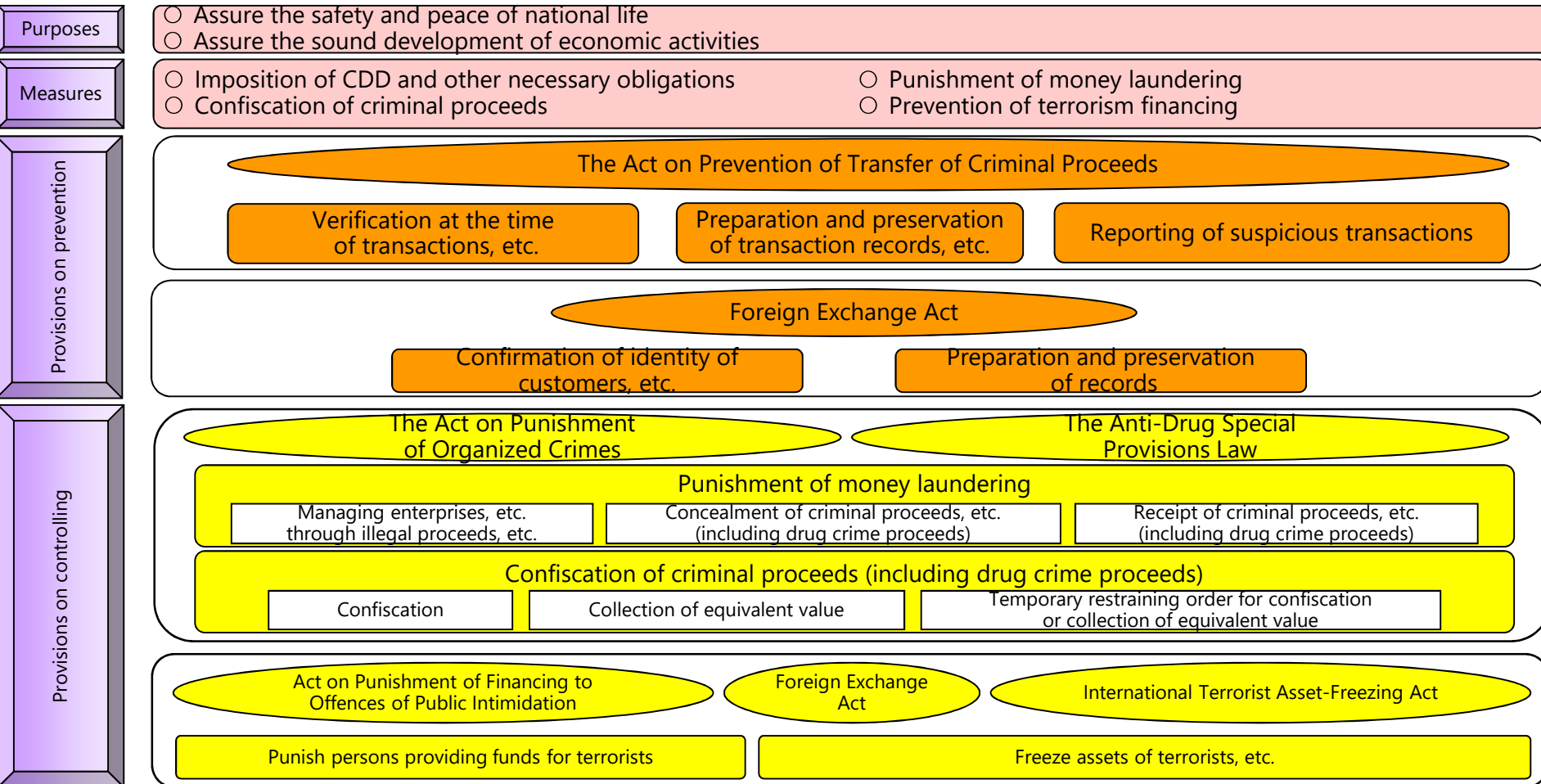
- June 1990  
**The Ministry of Finance issued an order to financial Organizations** (Requiring financial institutions to verify customer identity)
- July 1992  
**Enforcement of the Anti-Drug Special Provisions Law** (Criminalization of money laundering related to drug crimes, establishment of suspicious 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 to Offences of Public Intimidation and the revised Act on Punishment of Organized Crimes** (Addition of terrorist funding and collection etc. to list of predicate offences)
- March to April 2007  
**Adoption of the Act on Prevention of Transfer of Criminal Proceeds**  
**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)
- 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.)
- 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 2015  
**Enforcement of the International Terrorist Asset-Freezing Act**
- May 2016  
**Amendment of the Act on Prevention of Transfer of Criminal Proceeds** (Adding virtual assets exchangers into the scope of specified business operators)
- July 2018  
**Amendment of the Act on Prevention of Transfer of Criminal Proceeds** (Adding casinos into the scope of specified business operators)

## 2. The Legislative Regime for AML/CFT (Chapter 2)

The AML/CFT regime in Japan focuses on achieving the following four goals:

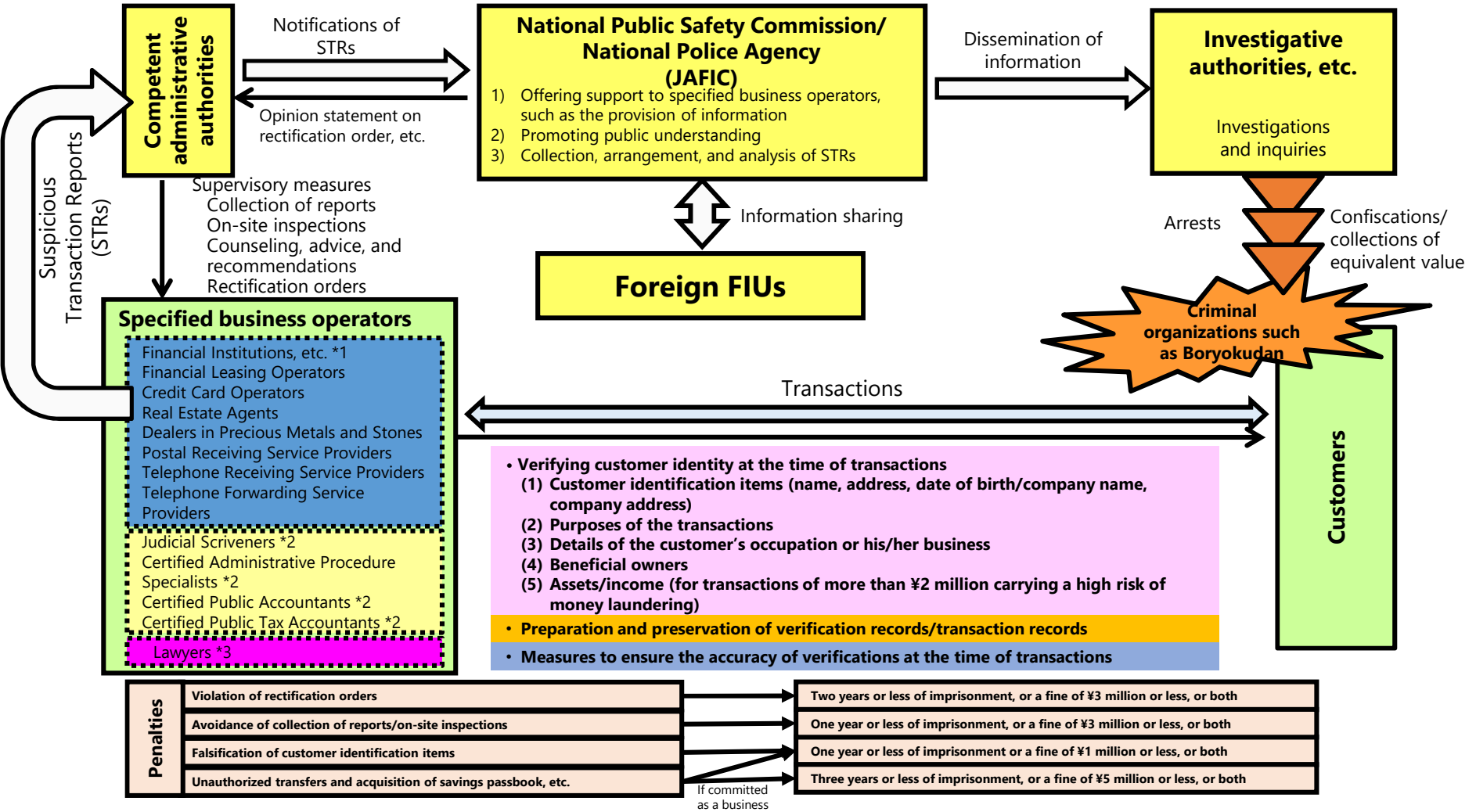
- (1) Imposing CDD and other necessary obligations
- (2) Criminalizing money laundering
- (3) Confiscating criminal proceeds
- (4) Preventing terrorism financing

(1) is realized by the Act on Prevention of Transfer of Criminal Proceeds and the Foreign Exchange Act, (2) and (3) are realized mainly by the Act on Punishment of Organized Crimes and the Anti-Drug Special Provisions Law, and (4) is realized by the Act on Punishment of Financing to Offences of Public Intimidation, the Foreign Exchange Act, and the International Terrorist Asset-Freezing Act.



# 3. Overview of the Act on Prevention of Transfer of Criminal Proceeds (Chapter 2)

The purpose of the Act on Prevention of Transfer of Criminal Proceeds is to establish a system to prevent the transfer of criminal proceeds by requiring specified business operators take appropriate measures, such as CDD of customers, etc., the preparation and retainment of records, and STR reporting.  
 The various systems related to the anti-money laundering measures under the Act and the relationships between the relevant organizations and business operators are as follows:



\*1 Amongst financial institutions, etc., those operators involved in foreign exchanges 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 the accurate verification of transactions and the preparation/preservation of verification records and transaction records by lawyers. These rules are based on the examples of judicial scriveners and other professions contained in the Act on Prevention of Transfer of Criminal Proceeds.

## 4. Measures by Specified Business Operators (Chapter 2)

The measures that must be taken by specified business operators (excluding lawyers) under the Act on Prevention of Transfer of Criminal Proceeds, and the measures related to CDD to be taken by lawyers, are as follows.

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)							
Certified administrative procedures specialists (item 45)							
Certified public accountants (item 46)	○ (Only identification data)						
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)

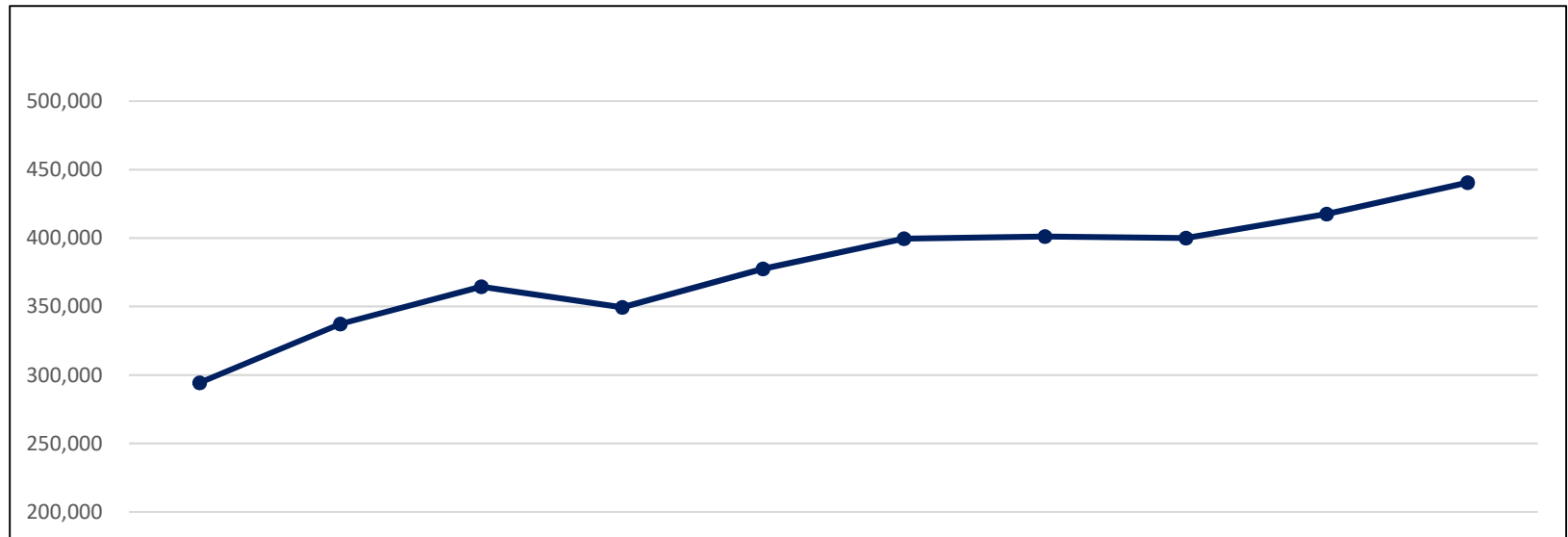
## 5. Suspicious Transactions Reporting System (Chapter 3)

The Act on Prevention of Transfer of Criminal Proceeds requires that specified business operators file a report to the competent administrative authorities when a transaction is suspected of being 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 number of STRs submitted by specified business operators to the competent administrative authorities exceeded 440,000 in 2019 (a record high).

JAFIC collected, organized, and analyzed STRs and provided investigative authorities with the STRs considered to be useful to investigate money laundering cases. The STRs are used to discover criminal proceeds, uncover criminal organizations, and investigate crimes related to criminal proceeds.

### ○ Number of STRs Received



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of Reports Received	294,305	337,341	364,366	349,361	377,513	399,508	401,091	400,043	417,465	440,492

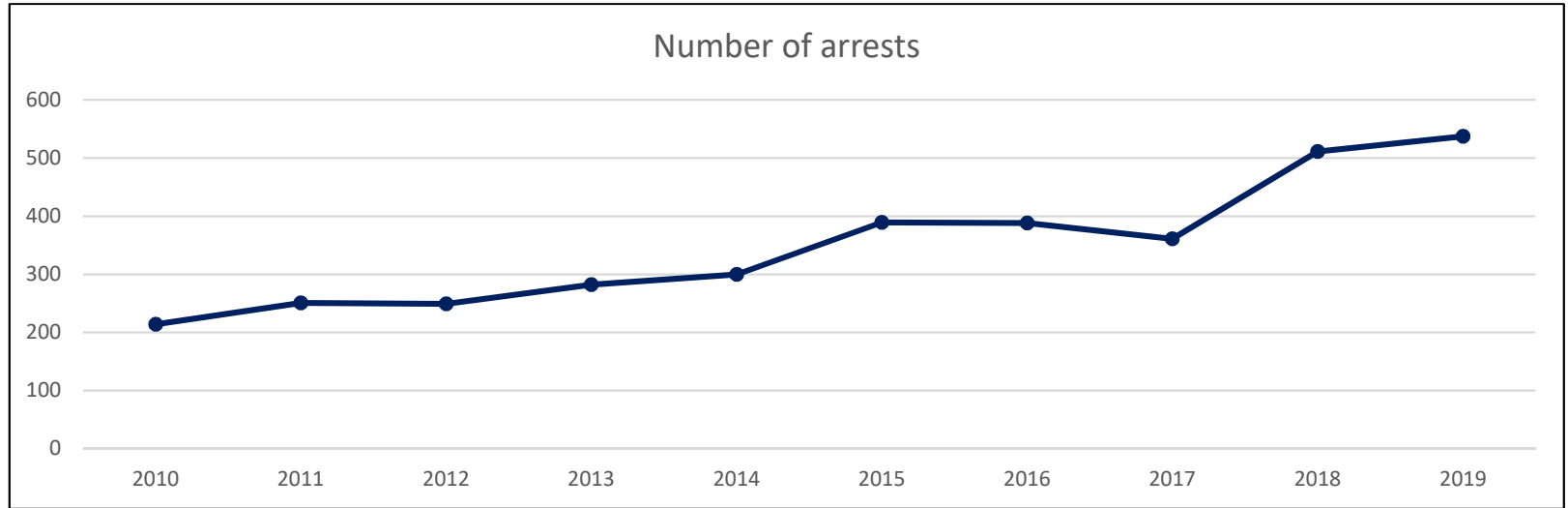
### ○ Number of STRs Used

	2015	2016	2017	2018	2019
Number of STRs used in investigation	265,346	284,914	429,200	314,296	307,786

## 6. Cleared Cases of Money Laundering (Chapter 4)

In Japan, money laundering is criminalized as the following activities: the control of management of enterprises of legal persons and other entities through illicit proceeds, the concealment of criminal proceeds, and the receipt of criminal proceeds, which are all stipulated in the Act on Punishment of Organized Crimes, and also the concealment of drug-related criminal proceeds and the receipt of drug-related criminal proceeds, both stipulated in the Anti-Drug Special Provisions Law.

The number of arrests is as follows:



Category		Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Act on Punishment of Organized Crimes	Management Control through Illicit Proceeds (Article 9)		1	1	0	2	1	2	0	2	1	0
	Concealment of Criminal Proceeds, etc. (Article 10)		139	150	158	171	180	234	268	240	377	378
	Receipt of Criminal Proceeds, etc. (Article 11)		65	92	80	99	112	145	112	111	126	150
	Total		205	243	238	272	293	381	380	353	504	528
Anti-Drug Special Provisions Law	Concealment of drug-related criminal proceeds, etc. (Article 6)		8	8	8	6	5	5	5	7	5	8
	Receipt of drug-related criminal proceeds, etc. (Article 7)		1	0	3	4	2	3	3	1	2	1
	Total		9	8	11	10	7	8	8	8	7	9
Number of arrests			214	251	249	282	300	389	388	361	511	537



## 7. Temporary Restraining Order (Chapter 4)

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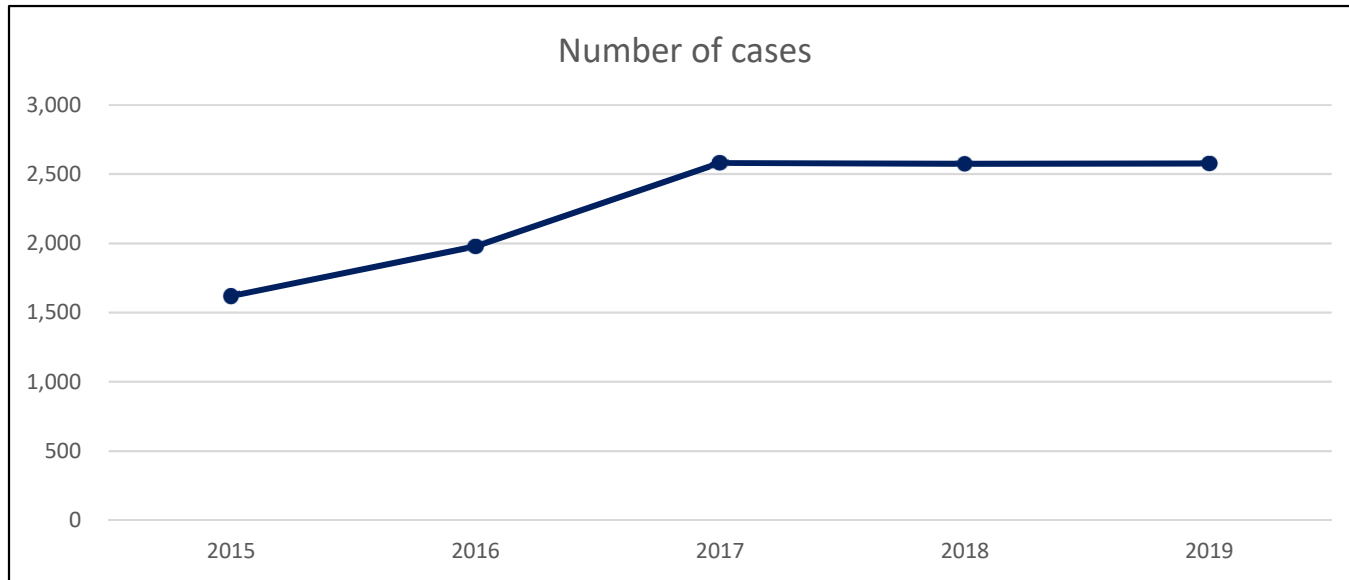
It is important to deprive criminals of criminal proceeds to prevent them from using these proceeds to maintain and expand the powers of criminal organizations and to invest in future criminal activities. To ensure that criminal proceeds are not concealed or spent before the order for the confiscation or collection of equivalent value is given, the police use a system called a Temporary Restraining Order for Confiscation before Institution of Prosecution (hereafter referred to as a 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.

The number of cases in which a Temporary Restraining Order was issued in 2019 (claimed by police officers) is as follows:

<b>Act on Punishment of Organized Crimes</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Cases	220	183	188	206	169
Total amount of credit	¥341,264,257	¥530,718,975	¥1,341,301,078	¥410,918,942	¥348,965,441
Others	Passenger vehicle: 3		Watch: 2	Gold: 1,266 Watch: 2	Gold bullion: 414 Poker game machine: 9
<b>Anti-Drug Special Provisions Law</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Cases	14	16	11	17	8
Total amount of credit	¥37,318,473	¥105,019,479	¥2,302,673	¥48,408,554	¥4,153,977
Others		Claims on gold bullion Claims on platinum bullion		Foreign currency: US\$ 1,000	Foreign currency: US\$ 1,800 TWD 72 MYR 95.6

The Act on Prevention of Transfer of Criminal Proceeds stipulates the penalties for the illicit transfer of passbooks, etc. to prevent illegally sold or purchased passbooks, etc. from being used for special frauds or other crimes, or for the concealment (transfer) of criminal proceeds.

The police are enhancing efforts to crack down on such practices. The number of cases in 2019 cleared as violations of the Act on Prevention of Transfer of Criminal Proceeds is as follows:



Category	Year	2015	2016	2017	2018	2019
Transfer, etc. of savings passbooks		1,559	1,902	2,523	2,519	2,479
Transfer, etc. of savings passbooks (as business)		25	29	27	27	44
Soliciting the transfer of passbooks, etc.		16	42	31	27	27
Transfer of foreign exchange cards, etc.		19	2	0	0	27
Transfer, etc. of information for virtual assets exchange		0	0	0	2	0
Others		0	4	0	0	0
<b>Total</b>		<b>1,619</b>	<b>1,979</b>	<b>2,581</b>	<b>2,575</b>	<b>2,577</b>

## 9. Orders for the Submission of Reports and Opinion Statements (Chapter 5)

When suspicion arises during the investigation of cases, including special fraud cases by the Prefectural Police, with regard to the possibility that a specified business operator (excluding lawyers) has violated the obligation of CDD and other matters prescribed in the Act on Prevention of Transfer of Criminal Proceeds, the National Public Safety Commission and the National Police Agency shall order the alleged specified business operators to submit a report and shall prepare an opinion statement for the competent administrative authorities. The administrative authorities that received the opinion statements issue rectification orders. The numbers of orders for submission of reports, opinion statements submitted, and rectification orders issued are as follows:

		2015	2016	2017	2018	2019
Number of order for submission of reports		11	9	7	13	7
	Postal receiving service providers	9	9	6	0	0
	Telephone forwarding service providers	0	0	1	12	7
	Postal receiving/telephone forwarding service providers	2	0	0	1	0
Number of opinion statements submitted to competent administrative authorities		10	8	7	11	8
	Postal receiving service providers	8	8	7	2	0
	Telephone forwarding service providers	2	0	0	9	8
Number of rectification orders based on Opinion Statements		5	0	1	1	1
	Postal receiving service providers	5	0	1	1	0
	Telephone forwarding service providers	0	0	0	0	1

Collaboration between countries is essential to prevent cross-border ML/TF.

For this reason, international standards for AML/CFT measures have been developed and adopted in the international community within the framework of FATF, APG, the Egmont Group, etc. Japan actively participates in such activities.

An overview of FATF, APG, and Egmont Group is as follows:

### ○ **FATF (Financial Action Task Force)**

#### ○ **Organization**

FATF is an intergovernmental body established following the Economic Declaration of the 1989 Archa Summit Communique to promote international cooperation on AML measures. Since the terrorist attacks in the United States in 2001, FATF has also taken the initiative in promoting international CFT measures.

FATF had 37 member jurisdictions (including Japan) and 2 international institutions as of the end of 2019.

#### ○ **Activities**

The main activities of FATF are as follows.

1. Formulating and reviewing 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. Promoting compliance with the FATF Recommendations in non-member jurisdictions
4. Studying the trends and modus operandi of ML/TF.

#### ○ **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 viewpoints, such as laws, regulations, and the control regime for AML, and the investigations of ML crimes. For the fourth round of the Mutual Evaluation of Japan, the assessor team conducted an on-site visit in October/November 2019, and MER adoption is scheduled to be conducted at a Plenary Meeting in June 2020.

## ○ APG (Asia/Pacific Group on Money Laundering)

### ○ Organization

APG 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 the increasing risk of vulnerability to ML in the Asia/Pacific region, the APG was established to promote regional cooperation, the adoption of the international standards, and the assistance to the jurisdictions.

As of the end of 2019, the APG consisted of 41 jurisdictions, including Japan.

### ○ 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 analyses on ML trends in the Asia/Pacific region

## ○ Egmont Group

### ○ Organization

The Egmont Group is an international forum established mainly by the FIUs of several European nations and the United States in April 1995 with the goal of promoting cooperation on information exchange, training, and the sharing of expertise between FIUs around the world engaging in AML measures.

As of the end of 2019, the Egmont Group consisted of the FIUs of 164 jurisdictions including Japan.

### ○ Activities

In addition to the annual plenary meeting, which is attended by representatives from all member FIUs, the Egmont Group has the following working groups:

1. Working Group on information exchange
2. Working Group on membership, support and compliance
3. Working Group on policy and procedures
4. Working Group on technical assistance and training

It is necessary to exchange information on suspicious transactions with foreign FIUs in a timely manner in order to detect ML/TF by appropriately tracing criminal proceeds or terrorist financing across borders.

JAFIC exchanged information with foreign FIUs as follows:

## 1. Number of Requests for Information between JAFIC and Foreign FIUs

Category	Year	2015	2016	2017	2018	2019
<b>Number of requests for information from JAFIC to foreign FIUs</b>		183	149	201	255	201
<b>Number of requests for information from foreign FIUs to JAFIC</b>		67	60	66	72	61
<b>Total</b>		250	209	267	327	262

## 2. Number of Spontaneous Information Disclosures between JAFIC and Foreign FIUs

Category	Year	2015	2016	2017	2018	2019
<b>Number of spontaneous information disclosures from JAFIC to foreign FIUs</b>		30	46	48	101	111
<b>Number of spontaneous information disclosures from foreign FIUs to JAFIC</b>		50	37	69	68	85
<b>Total</b>		80	83	117	169	196

## 3. Number of Cases in Which JAFIC Shared Information Provided by Foreign FIUs with Domestic LEAs

Category	Year	2015	2016	2017	2018	2019
<b>Number of cases in which JAFIC disseminated information provided by foreign FIUs to domestic LEAs</b>		109	106	139	103	151