



Japan Financial Intelligence Center (JAFIC)

Annual Report 2009



National Police Agency

Introduction

It has been 3 years since the partial enactment of “the Act on Prevention of Transfer of Criminal Proceeds” in April 2007, which established JAFIC, Japan Financial Intelligence Center, as Japanese FIU in Organized Crime Department, Criminal Investigation Bureau, National Police Agency. Also it has been 2 years since the total enforcement thereof.

During this time, JAFIC has worked on to coordinate with competent administrative authorities in charge of supervising specified business operators who are required to implement customer identification and has given a lot of seminars for these specified business operators, for the publicity of the Act on Prevention of Transfer of Criminal Proceeds, and ensure its effectiveness. Furthermore, JAFIC has made progress in various measures to prevent money laundering crime and its predicate offences including “Furikome” fraud (note), such as the total enforcement and some amendment of the Act on Prevention of Transfer of Criminal Proceeds and its sub-regulations.

However in consideration of actual conditions, that criminal proceeds held by criminal organizations such as the Boryokudan, are still being used to promote organized crime, and harms sound economical activities by being injected into legitimate business activities and that these criminal proceeds can easily across the borders due to the globalization of economic and financial services, the effective implementation of governmental money laundering countermeasures in cooperation with the private sector, and various internationally coordinated activities as well as crackdown by the police, are really essential in order to thoroughly prevent the transfer of criminal proceeds.

Therefore, JAFIC has continued to work on promoting various approaches for the elimination of antisocial forces, such as Boryokudan, at specified business operators, such as financial institutions and the securities industry, and also has actively participated in the deliberations of international agencies, such as FATF (Financial Action Task Force), keeping close cooperation with foreign FIUs (Financial Intelligence Unit) in order to keep pace with the globalization of money laundering crime.

This year, JAFIC again presents its annual report for the many people in various fields who are involved in AML (anti-money laundering) measures, so that they can understand the actual current conditions of AML measures, describing history of Japanese AML measures and legal systems, the establishment of JAFIC, police activities, the situation of suspicious transaction reports, the activities of international cooperation and money laundering trends, etc., in addition to regulation amendments related to the Act for Prevention of Transfer of Criminal Proceeds during the period of 2009.

It is our sincere hope that this annual report can be of some help in understanding the overall AML measures.

(note)

An act of fraud in which the suspect telephones the victim pretending to be a member of his/her family, and encourages him/her to believe that they urgently need money, on a variety of pretexts, such as that they are required to repay embezzled funds at their company, and having thus upset the victim to transfer money into a deposits and savings account designated by the suspect.

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Chapter 1

History of Anti-Money Laundering Measures

Money-Laundering activities, which hide the source or attribution of criminal proceeds is a highly covert activity, which is extremely difficult to detect.

The international society has been enhancing and developing systems to prevent and detect money laundering, as well as cooperating with each other to deal with this issue. Japan is also reinforcing anti-money laundering measures in line with international initiatives.

Various activities centered on the police described in this report have also delivered positive results through such international cooperation.

Section1 Anti-Money Laundering Measures in International Society

1 Anti-Money Laundering Measures as International Countermeasures against Narcotic Drugs

In the 1980s, the global spread of narcotics abuse was taken as a crisis in the international society. One of the main causes was the existence of transnational drug-trafficking organizations linking production of narcotics to the consumption of them. It was recognized important to inflict damage on the source of their funds, by all measures, such as by confiscating illegal proceeds from drug manufacturing and trafficking and effectively preventing their money laundering activities. In this context, "the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances" (hereinafter referred to as "UN New Narcotics Convention") was adopted in December 1988 and required each state to criminalize activities such as hiding drug crime proceeds and establish relevant regulations to confiscate such proceeds, which made clear an internationally consistent effort. In addition, at the Arch Summit of July 1989, the major developed countries decided to establish the FATF (Financial Action Task Force on Money Laundering) to take concerted actions for anti-money laundering. In April 1990, urged by the need for standardizing measures in different countries, the FATF laid out standards in "The 40 Recommendations", 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 Measures as Countermeasures against International Organized Crime and Terrorism

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 hiding of proceeds not only from drug-trafficking but also from serious crimes were 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 the scope of predicate offences be extended from

drug crimes to serious crimes.

Further, at the Birmingham Summit in March 1998, it was agreed by the participating countries to create FIUs (Financial Intelligence Units), which are dedicated to collect, analyze and disseminate money laundering information, as a measure to use the suspicious transaction reports for criminal investigation effectively.

Later, in response to the terrorist attacks in the US in September 2001, the FATF held an emergency session, where it issued "The 8 Special Recommendations" including criminalizing terrorist financing and freezing terrorist assets considering it necessary to include anti-terrorist financing measures within the scope of anti-money laundering measures. In 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".

3 Countermeasures to Sophistication of Modus Operandi of Money Laundering

In accordance with development of anti-money laundering measures, the trend of money laundering itself has been changing. The FATF put the highest emphasis in its consideration on the hiding of funds using business sectors other than financial institutions. As a result, the FATF revised again in June 2003 "The 40 Recommendations" by extending the scope of operators required to take measures including customer identification, etc. The FATF has been studying new methods of money laundering engineered in various countries and regions in the world since then, such as money laundering using new payment systems, alternative remittance systems, trade-based money laundering, etc. and providing multiple advice on measures through publishing reports and other methods.

Section2 Anti-Money Laundering Measures in Japan

1 Enforcement of "the Anti-Drug Special Provisions Law"

Anti-money laundering measures in Japan have been developed step by step in accordance with initiatives of the international society. Firstly, "Law concerning Special Provisions for the Narcotics and Psycho tropics Control Law, etc. and Other Matters for the Prevention of Activities Encouraging Illicit Conduct and Other Activities Involving Controlled Substances through International Cooperation" (hereinafter referred to as "the Anti-Drug Special Provisions Law") was enforced in 1992 as one of the domestic laws implementing "UN 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 FATF 40 Recommendations."

2 Enforcement of the Act on the Punishment of Organized Crime

The FATF mutual evaluation of Japan in 1994 pointed out a negative view on the limit of predicate offences of money laundering to illegal drug crimes. It was difficult for financial institutions, etc. to determine if each transaction was actually related to drug crimes in reporting suspicious transaction, resulting in the fact that the suspicious transaction reporting system did not work effectively. For improvement of these disadvantages, the "Act on the Punishment of Organized Crimes, Control of Crime Proceeds and Other Matters" (hereinafter referred to as "Act on the Punishment of Organized Crime") was adopted (enforced in Feb. 2000) in Japan based on the FATF recommendations as revised in June 1996. This law represented progress in regulations against criminal proceeds on several points. One such progress is that the scope of predicate offences for money laundering was expanded and the other is that the object of suspicious transaction reports was expanded from illegal drug crimes to

include other serious crimes. In addition, the law designated the Financial Supervisory Agency (later, the Financial Services Agency) as the FIU of Japan, where money laundering information shall be collected, arranged and analyzed to be disseminated to investigative authorities, etc.

3 Enforcement of "the Act on the Punishment of Financing of Offences of Public Intimidation" and "Customer Identification Act", and the Revision of "Act on the Punishment of Organized Crime"

As a major development after the terrorist attacks in US, "Act on the Punishment of Financing of Offences of Public Intimidation" was adopted (enforced in July 2002) as a domestic law to implement "the International Convention for the Suppression of the Financing of Terrorism". At the same time as the adoption of "Act on the Punishment of Financing Offences of Public Intimidation", the "Act on the Punishment of Organized Crime" was partly revised, so that the terrorist financing offence was included into predicate offences. Moreover, terrorist funds were stipulated as criminal proceeds, and financial institution, etc. shall report suspicious transactions pertaining to assets suspected of terrorist financing. Also, to implement the customer identification regime required under the said Convention and the FATF recommendations, "the Law on Customer Identification by Financial Institutions, etc." was adopted (enforced in Jan. 2003).

Because of frequent abuse of bank accounts under other, or fictitious names for offences such as "Furikome" Fraud, the Law on Customer Identification by Financial Institutions, etc. was revised in Dec. 2004 as "the Act on Confirmation of Customers Identification by Financial Institution, etc. and Prevention of Unauthorized Use of Deposit Account, etc." (hereinafter referred as "the Customer Identification Act") that provides sanctions to selling and buying of passbooks, etc. its canvass, or the like.

4 Enforcement of "the Act on Prevention of Transfer of Criminal Proceeds"

Based on the fact that the FATF re-revised "The 40 Recommendations" in 2003 to extend the scope of business operators required to implement customer identification, etc. to operators other than financial institutions, "the Headquarters for Promotion of Measures Against Transnational Organized Crime and International Terrorism", with the Chief Cabinet Secretary as head thereof, publicized "the Action Plan for Prevention of Terrorism" including the implementation of the re-revised Recommendations in December 2004. In November 2005, "the Headquarters for the Promotion of Measures Against Transnational Organized Crime and International Terrorism" decided that the National Police Agency would make a draft of law for implementation of the re-revised Recommendations and that the FIU would be transferred from the Financial Services Agency to the National Public Safety Commission / the National Police Agency.

The National Police Agency drafted a bill in cooperation with relevant ministries and agencies 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 law stipulating the transfer of the FIU was carried out in April of the same year, while the remaining, such as the extends the scope of application to business operators required to implement customer identification was enforced in March, 2008.

Furthermore, the National Police Agency and concerned government ministries amended the Act on Prevention of Transfer of Criminal Proceeds and sub-regulations in order to appropriately respond to changes in social conditions. The main amendments in 2009 are described in detail in Chapter 2 (Legal Systems of Countermeasures against Money Laundering).

History of Anti-Money Laundering 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 1990 Notices issued on the requirement of customer identification, etc. (by the Director-General of the Banking Bureau, Ministry of Finance and others)
	July 1992 Enforcement of "the Anti-Drug Special Provisions Law" (Creation of the "Suspicious transaction report" system relating to drug 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)	February 2000 Enforcement of "Act on the Punishment of Organized Crime" (Extension of the scope of predicate offences to certain serious crimes, establishment of the Japan FIU, etc.)
September 2001 Terrorist attacks in the US	
October 2001 FATF issued "Special Recommendations on terrorist financing" - Criminalization of terrorist financing, Reporting of suspicious transactions related to terrorism.	July 2002 With the enforcement of "the Act on Punishment of Financing to Offences of Public Intimidation" and "the revised Act on the Punishment of Organized Crime", terrorist financing offence was added to predicate offences.
	January 2003 Enforcement of "the Customer Identification Act" (Obligation of identification of customers, etc. by financial institutions, etc. is legislated.)
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 professionals (lawyers, accountants, etc.)	December 2004 "The Headquarters for Promotion of Measures Against Transnational Organized Crime and International Terrorism" created the "Action Plan for Prevention of Terrorism".
	November 2005 "The Headquarters for 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 Transfer of the FIU (from the Financial Services Agency to the National Public Safety Commission / the National Police Agency)
	March 2008 Enforcement of the application of customer identification obligation, etc. to non-financial business operators, etc.

Chapter 2

Legal Systems of Countermeasures against Money Laundering

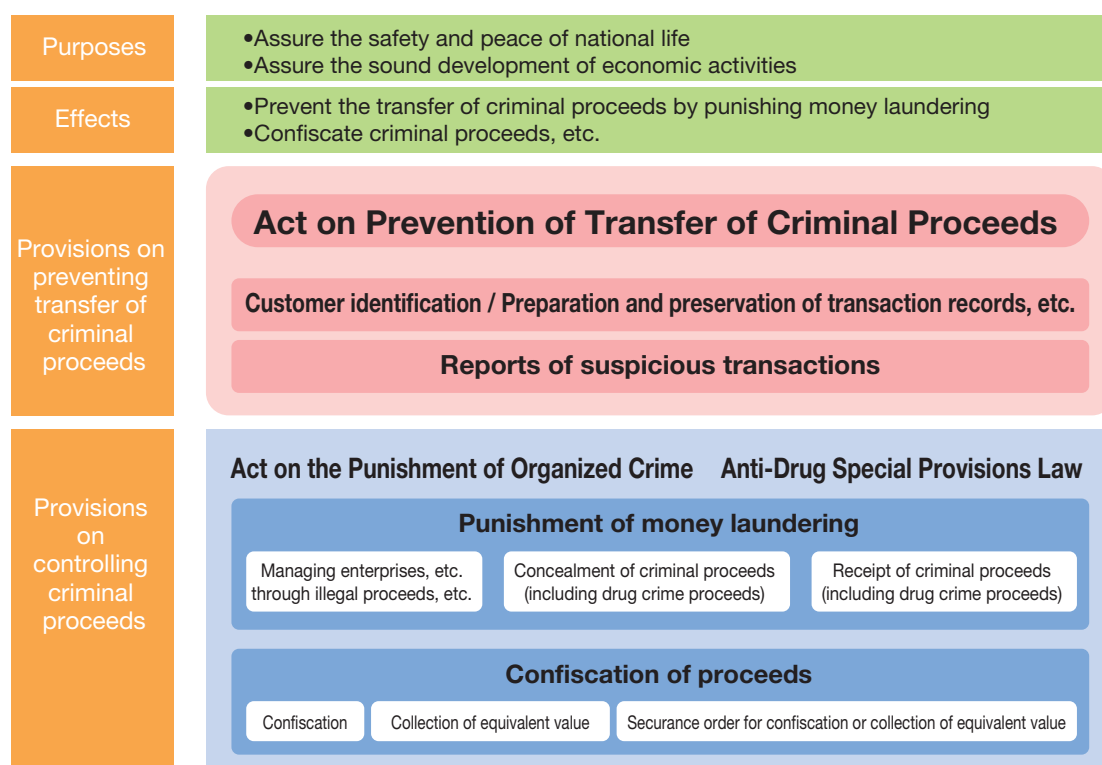
As described in the preceding chapter, legal systems on money laundering both in Japan and foreign countries have realized a gradual development since the 1980s and generally contain the following three elements:

- (1) Criminalization of money laundering
- (2) Confiscation of criminal proceeds
- (3) Obligation of a certain range of business operators to take preventative measures such as, customer due diligence.

Among these standards, (1) and (2) are aimed at the direct effects of weakening, in particular, the financial foundations of criminal organizations to target assets generated through crimes, while (3) is aimed at preventing money laundering itself by making it easier to trace the transfer of illegal funds and making it more difficult to avoid prosecution and confiscation.

In Japan the standards (1) and (2) above are realized mainly by the Anti-Drug Special Provisions Law and Act on the Punishment of Organized Crime, and the standard (3) is realized by the Act on Prevention of Transfer of Criminal Proceeds.

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



Section 1 Recent Law Amendments

The Act on Prevention of Transfer of Criminal Proceeds and its sub-regulations, has been amended as needed, in order to respond to changes in social conditions and the amendment of other laws, from the viewpoint of preventing money laundering crime, etc. In 2009, the following two amendments were carried out as countermeasures mainly for the prevention of Furikome fraud, the predicate offences of money laundering.

1 Strengthening of Regulations on Postal receiving service providers

To greatly reduce damage due to Furikome fraud, the police has worked towards building a social environment building that aims for the elimination of Furikome fraud, such as carrying out the public announcement activity in coordination with related agencies and organizations, as well as promoting regulatory activities. As a result, in October 2008, the total financial damage of 1,570,580,000 yen in the 1,330 confirmed cases it was a 36.5% decrease in number of cases confirmed, and 46% decrease in financial damage, in comparison with a peak monthly average from March to June 2008. However, crimes using the modus operandi of using companies providing a service of receiving postal items (so-called private P.O box companies) through postal mail or delivery services for illegally acquired cash, etc. increased.

By using companies providing service of receiving postal items, postal items can be received without revealing where the client actually is, such as a private address. The providing a service of receiving postal items has the actual circumstances used as a destination of swindled money and deposit and saving banknote of another person name, etc. As such, Postal receiving service providers are subject to the regulations of the Act on Prevention of Transfer of Criminal Proceeds, are required to verify identification of customer when concluding a contract for receiving services for postal items. However, before the Act was amended, the risk of misusing a service for receiving postal items other than cash and bankbooks was assumed to be low, so concluding contracts which contain an article prohibiting receiving of postal items including cash and bankbooks was exempted from being targeted for customer identification.

However, since it is not readily known whether a postal item includes cash, etc. unless visually inspected, refusing to deliver such an item is difficult, even if the contract contains an article which prohibits the receiving of postal items including cash, etc. Moreover, in reality, many companies providing a service for receiving postal items have been used for Furikome fraud, and did not verify the identification of customer, using the excuses that there is the contract article that prohibits the delivery of postal items including cash, etc. Hence, further investigation was difficult for the police.

Consequently, the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds was revised in February 2008, and stipulated that identification of customer is to be verified, even though the contract includes an article which prohibits the receiving of postal items including cash, etc. (Enforced in May 2008)

2 Amendmend of the Act on Prevention of Transfer of Criminal Proceeds according to the enactment of “the Payment Services Act”

In June 2008, "the Payment Services Act" was enacted. According to the enactment of the law, fund transfer companies may also carry out exchange transactions (scheduled for enforcement within 1 year of issue).

Since it is possible to use exchange transactions for money laundering and the financing of terrorism, the Act on the Prevention of Transfer of Criminal Proceeds has been amended, such as the addition of funds transfer companies as specified business operators, and their obligation to verify customers

identifications, and preparation and preservation of transaction records, etc., and suspicious transaction reporting.

Moreover, from the standpoint to prevent the transfer of criminal proceeds, activities such as receiving bankbooks, etc. with the intention of dealing with specified business operators while pretending to be another person has been punishable under the Act on Prevention of Transfer of Criminal Proceeds. Also, to exchange transactions carried out by fund transfer companies, the establishment of the same penal provision has been set for activities such as receiving ID and passwords needed to exchange transactions carried out by fund transfer companies, according to the enforcement of the Payment Services Act, since misuse and impersonation are expected.

Section2 Outline of the Anti-Drug Special Provisions Law and Act on the Punishment of Organized Crime

1 Anti-Drug Special Provisions Law

As described in Chapter 1, 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 Convention adopted in 1988 and the FATF "40 Recommendations" issued in 1990, and enforced on July 1, 1992. This law contains two items with regard to measures against drug crime proceeds as below.

The Anti-Drug Special Provisions Law included, at the time of enactment, provisions on reports of suspicious transactions, which have been taken over to the Act on Prevention of Transfer of Criminal Proceeds through the Act on the Punishment of Organized Crime.

(1) Punishment of money laundering

The Anti-Drug Special Provisions Law defines the act of money laundering as a new crime in that it has such aspects as encouraging further (drug) crimes.

a. Concealment of drug crime proceeds, etc. (Article 6)

The following acts are criminalized by this article: (i) Act of "disguising facts with respect to acquisition or disposition of drug crime proceeds, etc." (ii) Act of "concealing drug crime proceeds, etc." and (iii) Act of "disguising facts with respect to the source of drug crime proceeds, etc."

Examples of the act (i), "Act of disguising facts with respect to acquisition" is the act of depositing drug crime proceeds, etc. under the name of another person, the act of manipulating the books by pretending profits were gained by legitimate business activities, or the like.

An example of the act (i), "Act of disguising facts with respect to disposition" is the act of purchasing goods under the name of another person, using drug crime proceeds, etc. or the like.

Examples of the act (ii), "concealing" is actions such as physically concealing and sending money to a country or region where it is considerably difficult to trace the funds, or the like.

An example of the act (iii), "Act of disguising facts with respect to the source" is the drug purchaser's act of pretending the payment for purchase is a repayment of a fictitious debt.

b. Crime of receipt of drug crime proceeds, etc. (Article 7)

The act of "knowingly receiving drug crime proceeds, etc." is criminalized by this article.

For example, an act in which a main member of Boryokudan group receives money as part of a protection racket, knowing that the money has been obtained from drug crime.

(2) Confiscation, collection of equivalent value and securance measures (Article 11 through 13, 19, 20)

Drug crime proceeds shall be confiscated. If it cannot be confiscated because, for example, it has already been consumed or the right thereof has been transferred, collection of equivalent value will be ordered. The system of confiscation and collection of equivalent value provided in Anti-Drug

Special Provisions Law has been strengthened compared to the existing system of confiscation and collection of equivalent value in the Penal Code in that the target is not limited to tangible property, but is extended to deposit claims, etc. and that confiscation and collection of equivalent value are compulsory. Moreover, it can be prohibited by court order to dispose of drug crime proceeds which should be confiscated prior to court decision in order to ensure the confiscation of the proceeds. As the risk of disposal by a criminal will be raised if he/she knows of the commencement of investigation, the court can issue a securance order even before the prosecution upon request of a police officer, etc. with a fixed period of 30 days, which could be renewable.

2 Act on the Punishment of Organized Crime

As described in Chapter 1, Act on the Punishment of Organized Crime was enacted based on the extension of predicate offences in the revised FATF "40 Recommendations" and the international agreement on the establishment of an FIU, and was enforced in February 2000. In terms of criminal proceeds regulations, this law is characterized by the extension of the scope of predicate offences from drug crimes stipulated in the Anti-Drug Special Provisions Law to certain serious crimes.

(1) Punishment of money laundering (Article 9 through 11)

According to the Act on the Punishment of Organized Crime, in addition to acts of disguising, concealing, and receiving stipulated in the Anti-Drug Special Provisions Law, changing a director, etc. as a means of managing an enterprise, etc. using criminal proceeds shall be punished as another type of money laundering crime. The scope of crime which generates criminal proceeds is stipulated in schedule.

(2) Confiscation, collection of equivalent value and securance measures (Article 13 through 16, 22, 23, 42, 43)

The system of confiscation and collection of equivalent value provided in Act on the Punishment of Organized Crime is subject to the discretion of the court, unlike the system provided in the Anti-Drug Special Provisions Law. However, it has been strengthened compared to the existing system in the Penal Code in that the target is extended to monetary claims, assets obtained as the fruit of criminal proceeds are also within the scope, securance measures have been established, and so on.

At the time of the enactment of Act on the Punishment of Organized Crime, it was stipulated that so-called "Crime victim property", such as proceeds obtained through crime concerning property, etc. may not be confiscated in consideration of damage claims by victims. However, the law was partially revised (enforced in Dec. 2006) to enable confiscation in certain cases where the crime is considerably organized or it will be difficult to recover the damage by civil proceedings due to money laundering or other reasons.

Section3 Outline of the Act on Prevention of Transfer of Criminal Proceeds

As described in Chapter 1, the Act on Prevention of Transfer of Criminal Proceeds is a new act created on the basis of existing acts, i.e. the whole part of the Customer Identification Act and a part of the Act on the Punishment of Organized Crime and also in response to the revised FATF "40 Recommendations" of 2003 and sophistication of money laundering techniques. The act provides for a system to prevent transfer of criminal proceeds, including customer identification, preparation and preservation of transaction records, suspicious transaction reporting, etc. to be implemented by a certain range of business operators.

For the fundamental structure of the act, please refer to Fig. 2-3.

1 Purpose of the Act (Article 1)

The purpose of this act is to prevent the transfer of criminal proceeds and ensure the appropriate enforcement of international treaties concerning the prevention of financing terrorism, etc. and thereby, to assure 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 identification of customers, preservation of transaction records or the like, and reporting of suspicious transactions by specified business operators, as described in 3, coupled with other measures stipulated by the Act on the Punishment of Organized Crime and Anti-Drug Special Provisions Law.

2 Criminal Proceeds (Paragraph 1 of Article 2)

The term "criminal proceeds" as used in this Act means criminal proceeds, etc. prescribed in Article 2, paragraph 4 of the Act on the Punishment of Organized Crime 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)

Business operators, required to take measures like customer identification by this act, are called "Specified business operator," the scope of which is defined in line with the FATF Recommendations as well as in consideration of business practices in Japan. Generally, financial institutions, etc. had already been obliged to undertake identical measures by the Customer Identification Act (abolished by enforcement of Act on Prevention of Transfer of Criminal Proceeds) and other regulations.

○Financial institutions, etc. (Item 1 through 33):

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-trusteed companies; Real estate specified joint enterprise operator; Mutual loan company; Money lender; Call money market broker; Fund transfer companies, Futures commission merchant; Book-entry, transfer institution; Account management institution; electronic receivables recording organizations; Management Organization for Postal Savings and Postal Life Insurance; Currency exchanging operator

○Financial leasing operator (Item 34)

○Credit card operator (Item 35)

○Real estate agents (Item 36)

○Dealers in precious metals and stones (Item 37)

○Postal receiving service providers or a service of receiving telephone call (Item 38)

○Lawyer or legal profession corporation (Item 39)

○Judicial scrivener or judicial scrivener corporation (Item 40)

○Certified administrative procedures specialists or administrative scrivener corporation (Item 41)

○Certified public accountant or audit firm (Item 42)

○Certified public tax accountants or certified tax accountant corporation (Item 43)

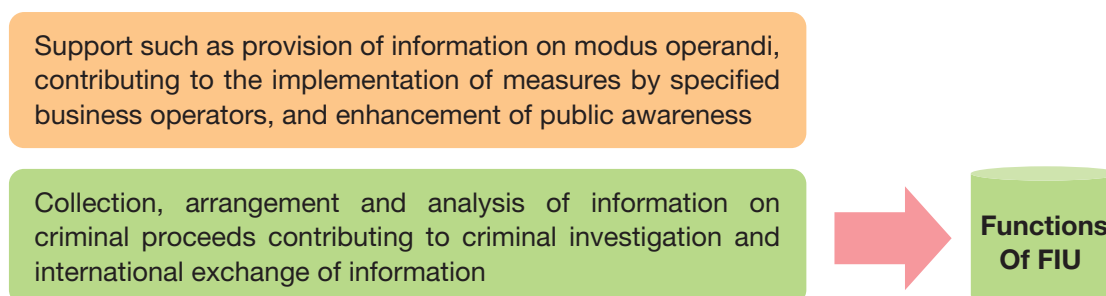
4 Responsibilities of the National Public Safety Commission and FIU (Article 3)

The Act on Prevention of Transfer of Criminal Proceeds 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 take appropriate actions, 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 criminal investigation and related international cooperation.

Government organs that perform collection, arrangement and analysis of suspicious transaction reports and disseminate them to investigative authorities are generally called FIUs (Financial Intelligence Units). Japanese FIU used to belong to Financial Services Agency. Under the new law, National Public Safety Commission took over this function from the Financial Services Agency, in connection with the extension of the scope of specified business operators. For this purpose, the Japan Financial Intelligence Center (JAFIC) was established in the National Police Agency, in charge of police administration under the control of the National Public Safety Commission, on April 1, 2007.

The outline of the structure of JAFIC will be detailed in Chapter 3.

**Figure 2-2 Responsibilities of the National Public Safety Commission
(Article 3 of the Act on Prevention of Transfer of Criminal Proceeds)**



5 Measures by Specified Business Operator

By the act, specified business operator is obliged to conduct the following:

(1) Customer Identification (Article 4)

In conducting a certain transaction, verify identification data of a customer such as the name and domicile by asking for his/her driver's license or other identification documents;

(2) Preparation of customer identification records (Article 6)

Prepare and keep the record of identification data and measures taken for customer identification, etc. for seven years;

(3) Preparation of transaction records, etc. (Article 7)

Prepare and keep the record of the date and contents, etc. of transactions concerned for seven years;

(4) Reporting of suspicious transactions (Article 9)

Report transactions that are suspected of being related to criminal proceeds to the competent authority, except for judicial scriveners, certified administrative procedures specialists, certified public accountants, certified public tax accountants and lawyers;

(5) Notification pertaining to foreign exchange transactions (Article 10)

In conducting a cross-border payment, notify the receiving institutions of certain items such as the name and the account number. This article is applied only to financial institutions that can conduct exchange transactions;

(6) Measures by lawyers (Article 8)

It is established by special provision, that lawyers shall conduct measures relevant to those described in (1) through (3) above based on Rule of the Japan Federation of Bar Association pursuant to the examples of judicial scrivener, etc.

These measures are classified by the types of business operators in Table 2-1. Also, "Specified Business Affairs" subject to obligations and "Specified Transaction" subject to customer identification obligation are listed in Table 2-2.

Customer identification, preparation and preservation of customer identification records and transaction records described in (1) through (3) above are expected to work as warnings against persons who attempt to transfer criminal proceeds and to enable tracing proceeds afterwards.

Suspicious transaction reports described in (4) will be used for investigations into money laundering crimes and predicate offences and will prevent criminals from abusing economic and financial systems, and assure its soundness.

The purpose of notification pertaining to foreign exchange transactions described in (5) is to enable tracing funds internationally and also respond to the FATF Special Recommendations regarding terrorist financing.

Table 2-1 Measures of Specified Business Operators Obligated by the Act


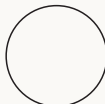
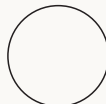
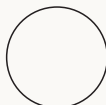
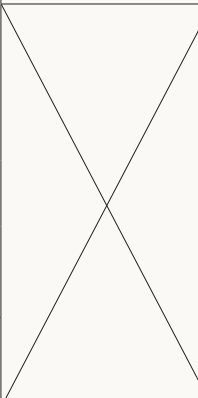
Specified Business Operators (Paragraph 2 of Article 2)	Customer identification (Article 4)	Preparation and preservation of customer identification records (Article 6)	Preparation and preservation of transaction records (Article 7)	Reporting of suspicious transactions (Article 9)
Financial Institutions, etc. (Item 1 through 33)				
Financial Leasing Operators (Item 34)				
Credit Card Operators (Item 35)				
Real Estate Agents (Item 36)				
Dealers in Precious Metals and Stones (Item 37)				
Postal Receiving Service Providers (Item 38)				
Telephone Receiving Service Providers				
Judicial Scrivener (Item 40)				
Certified Administrative Procedures Specialists (Item 41)				
Certified Public Accountant (Item 42)				
Certified Public Tax Accountants (Item 43)				
Lawyer (Item 39)	To be prescribed in the Rules of the Japan Federation of Bar Associations in line with cases of judicial scriveners, etc. (Article 8)			

Table 2-2 Scope of "Specified Business Affairs" Subject to Obligations and "Specified Transactions" Requiring Customer Identification

	Specified Business Affairs	Specified Transactions
Financial Institutions, etc.	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 2,000,000 yen, cash remittance exceeding 100,000 yen, etc.
Financial Leasing Operators	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	Credit card business affairs	Conclusion of contracts for the delivery or issuance of a credit cards
Real Estate Agents	Business affairs which pertain to the buying and selling of building lots or buildings, or agent work or intermediation thereof	Conclusion of contracts for buying and selling building lots or buildings, or agent work or intermediation thereof
Dealers in Precious Metals and Stones	Business affairs which pertain to the buying and selling precious metals (gold, platinum, silver and alloy of these metals) and jewelry (diamond and other precious stones, semiprecious stones and pearls)	Conclusion of contracts for buying and selling precious metals, etc. whose payment amount exceeds 2,000,000 yen by cash
Postal Receiving Service Providers	Business affairs for providing a service of receiving postal mail on behalf of a customer	Conclusion of contracts for the provision of service *Conclusion of contracts including a clause stating that a postal mail without description on the destination such as a company name, with which one could easily recognize the receiver as the agent, will not be received is excluded.
Telephone Receiving Service Providers	Business affairs for providing a service for receiving telephone calls on behalf of a customer	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.
Judicial Scrivener Certified Administrative Procedures Specialists Certified Public Accountant Certified Public Tax Accountants	Business affairs which pertain to agent or deputy work for the following acts: - Acts or procedures concerning the 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 the 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 2,000,000 yen *Conclusion of a contract for a voluntary guardian is excluded.
		A transaction with a customer already identified is excluded, however, transaction suspect of in the guise of another person is not excluded.

6 Dissemination of Information on Suspicious Transactions (Article 11 and 12)

In order to make use of information on suspicious transactions for domestic and overseas investigation, etc., the National Public Safety Commission may disseminate information to authorities in charge of investigating criminal cases such as a public prosecutor, assistant officers to prosecutors, judicial police officials (police officers, narcotics control agents, coast guards) customs officer and personnel of the Securities and Exchange Surveillance Commission and to a foreign FIU under certain conditions. The STR regime is detailed in Chapter 4 (Reports of Suspicious Transactions) and Chapter 5 (Promotion of International Cooperation).

7 Supervisory Measures (Article 13 through 17, 23, 24, 27)

The law provides inspection power to competent administrative authorities so that they can detect irregularities by specified business operators. The authorities can also employ various supervisory methods, etc. such as guidance, advice, suggestion, and order for rectification in the case of violation for a better compliance by specified business operators. Persons who has failed to submit reports or materials, or submit false reports or materials, 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, A person who violates an order for rectification shall be punished with imprisonment with labor for not more than two years or a fine of not more than three million yen.

Moreover, to complement supervisory function, the National Public Safety Commission is authorized the authority to state its opinion to competent administrative authorities (and make necessary inspections on business operators) when it detected violations.

8 Penal Provisions regarding Reception/Delivery/Provision of Deposit/Savings Passbooks, etc. (Article 26)

Sold or bought deposit/savings passbooks, ATM cards, etc. can be sold, bought, and misused in various crimes such as money laundering. In order to prevent this, the Act on Prevention of Transfer of Criminal Proceeds regulates persons who take over, receive or obtain a deposit/savings passbook, etc. for value or onerously, shall be punished by a fine of not more than 500,000 yen and a man who has committed, as a business, these crimes shall be punished by imprisonment with work for not more than 2 years or a fine of not more than 3,000,000 yen (optional cumulative imposition).

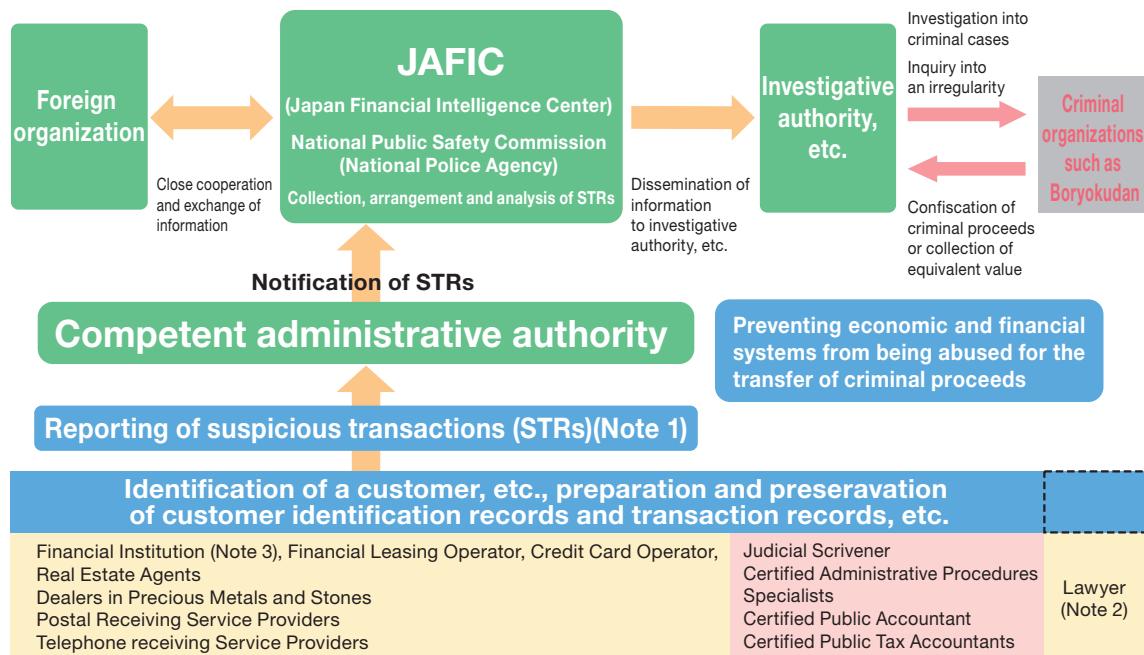
Furthermore, persons who invite or solicit another party to assign, deliver or provide a deposit/savings passbook, etc., for value or onerously, shall be punished by a fine of not more than 500,000 yen.

In addition, these penal provisions have been taken over from the Customer Identification Act, Article 16-2.

9 Enforcement

A part of the law, matters related to the function of FIU, such as the responsibilities of National Public Safety Commission, have been enforced since April 1, 2007, the range of specified business operators who are required to take measures for customer identification has expanded to include non-financial business professions, etc. since March 1, 2008.

Figure 2-3 Outline of the Act on Prevention of Transfer of Criminal Proceeds

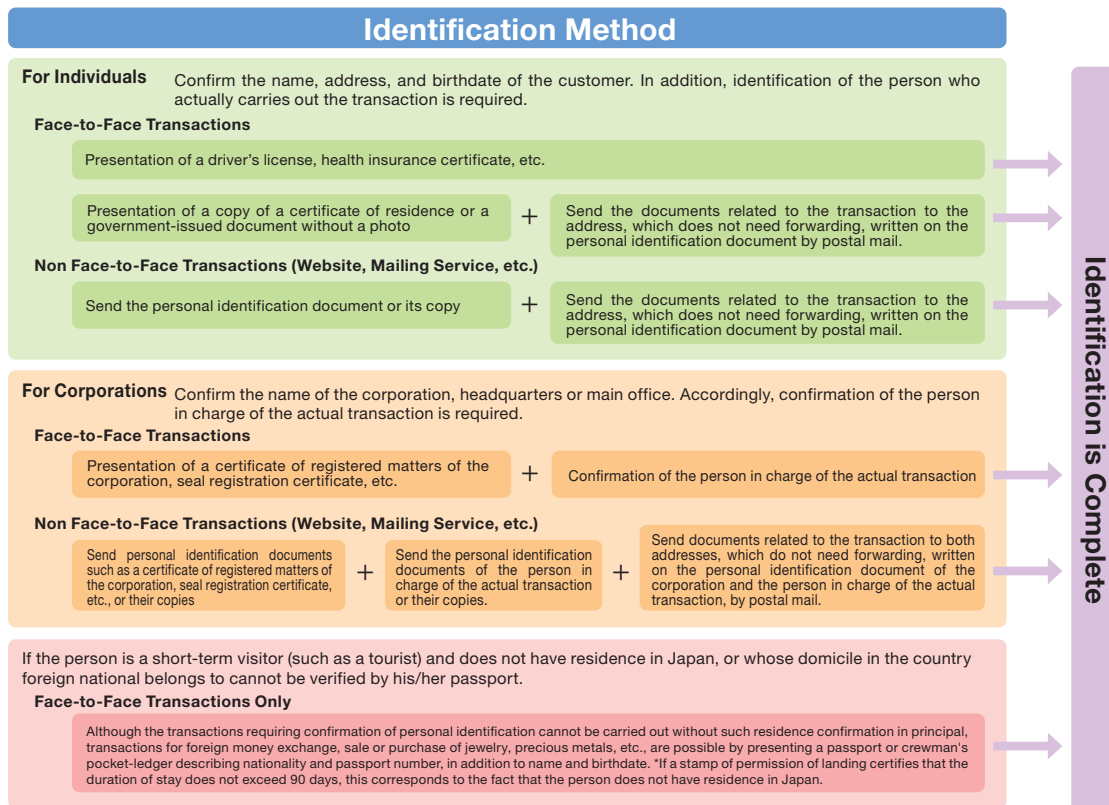


Note 1: Lawyers, Judicial Scriveners, Certified Administrative Procedures Specialists, Certified Public Accountants and Certified Public Tax Accountants are not subject to the obligation of suspicious transaction reporting.

Note 2: Measures by lawyers corresponding to the measures of customer identification, preparation and preservation of customer identification records and transaction records shall be prescribed by the Rules of the Japan Federation of Bar Associations undertaken in line with cases of judicial scriveners, etc. set forth by the Act on Prevention of Transfer of Criminal Proceeds.

Note 3: Among financial institutions, business operators involved in exchange transactions are obliged to notify information on money senders.

Figure 2-4



Chapter 3

Establishment of the Japan Financial Intelligence Center (JAFIC) and Police Activities

On April 1, 2007, JAFIC was established within the Organized Crime Department, the Criminal Investigation Bureau of the National Police Agency, when the Act on Prevention of Transfer of Criminal Proceeds came into force. JAFIC is an institution playing a central role in the enforcement of the said law mainly by collecting, arranging and analyzing suspicious transaction reports (STRs) filed from specified business operators and disseminating such information to public prosecutors, etc. As shown in the structure of the Act on Prevention of Transfer of Criminal Proceeds, understanding and cooperation of the public, especially specified business operators is indispensable for JAFIC to exercise its function.

Section1 Background of Establishment of JAFIC

Many countries have an institution equivalent to JAFIC. These are generally called FIUs (Financial Intelligence Units). Egmont Group, established in 1995 as a forum for exchanging information between FIUs, defines an FIU as a "central, national agency responsible for receiving, analyzing and disseminating to the competent authorities, disclosures of financial information: (1) concerning suspected proceeds of crime and potential financing of terrorism, or (2) required by national legislation or regulation, in order to combat money laundering and terrorism financing".

In Japan, although suspicious transaction reporting was made obligatory by the Anti-Drug Special Provisions Law, which came into effect in July 1992, it did not establish the system for centralization and dissemination of the information. Japan's first FIU was established within the Financial Supervisory Agency (reorganized into the Financial Services Agency in July 2000), when the Act on the Punishment of Organized Crime came into effect in February 2000, and it has the responsibility to handle information on suspicious transaction and exchange information with foreign counterparts under this Act.

In connection with the Act, the extension of the scope of business operators required to take anti-money laundering measures (expanded from financial institutions to real estate agents and the dealers in precious metals and stones.), elements of STRs were to be extended as well. Therefore, it is thought that the function of FIU, which handles and analyzes STRs is suited for National Police Agency, which makes use of overall reported information for investigation and countermeasures against organized crime as well as terrorism rather than the Financial Services Agency, which supervises financial institutions.

This idea was unveiled in November 2005, when Government's "Headquarters for the Promotion of Measures against Transnational Organized Crime and Other Relative Issues and International Terrorism" decided to formulate the bill of the new AML/CFT law (the Act on Prevention of Transfer of Criminal Proceeds). The Act on Prevention of Transfer of Criminal Proceeds clarified that the National Public Safety Commission (NPSC), which controls the National Police Agency and is aided by it, is responsible for prompt and appropriate collection, arrangement and analysis of suspicious transaction reports filed from specified business operators. It granted to the NPSC a function related to the handling of STRs including their dissemination to foreign FIUs as well as a function of complementary measures against specified

business operators. JAFIC was established within the Organized Crime Department, the Criminal Investigation Bureau of the National Police Agency, as a new Japan's FIU to perform these functions.

Section2 Mission and Structure

JAFIC is in charge of the following tasks provided in the Act on Prevention of Transfer of Criminal Proceeds:

- Collection, arrangement, analysis and dissemination of reports to investigative authorities, etc. of suspicious transactions;
- Dissemination of information to foreign FIUs;
- Provision of information and complementation of supervisory measures by administrative authorities to ensure that specified business operators take the required measures;

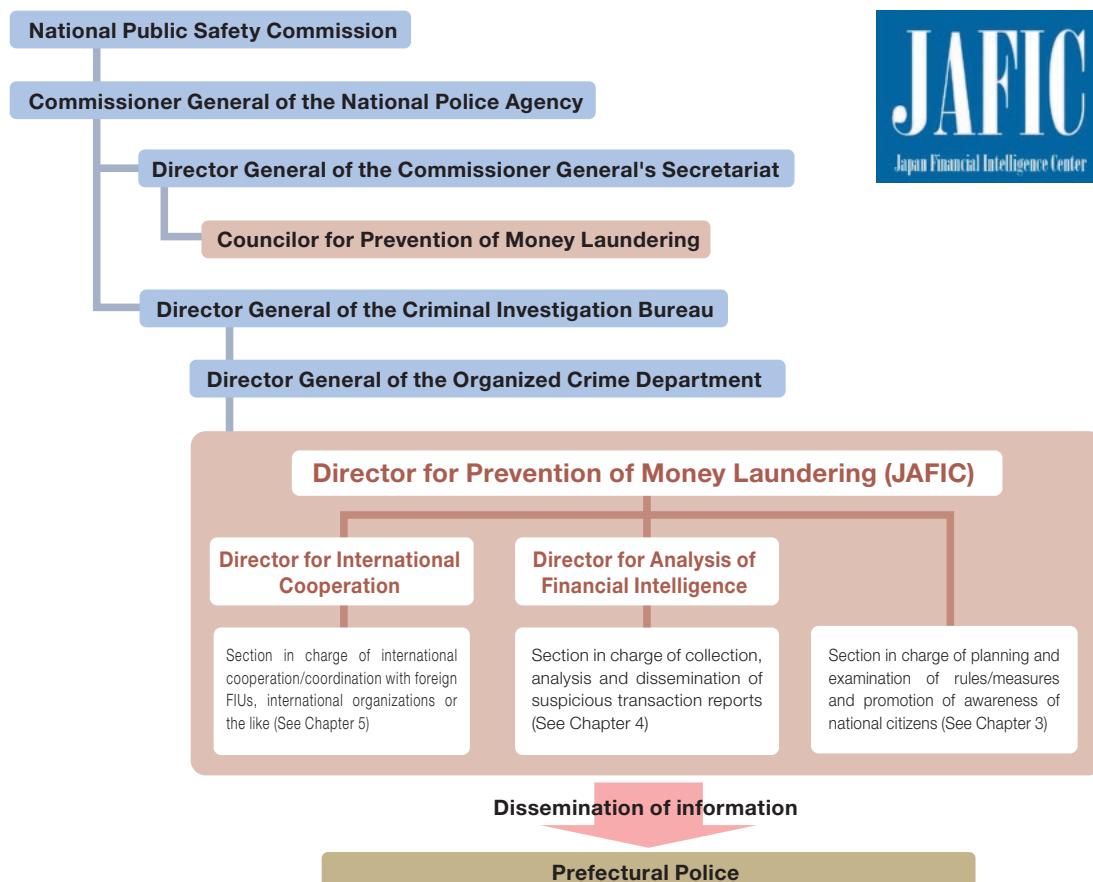
JAFIC also plans and examines the legal system related to AML/CFT and "the Guideline for Promotion of the Criminal Proceeds Control", etc. described in Section 4, as well as participating in establishing international standards.

Among these tasks, the status of the analysis and dissemination of STRs will be explained in Chapter 4, while cooperation with foreign FIUs and international institutions will be described in Chapter 5.

The structure of JAFIC is illustrated by Fig. 3-1. It is currently composed of about 70 employees under the Director.

On the other hand, the "Task Force specializing in investigation of money laundering" is established in each Prefectural Police in charge of tracing criminal proceeds and money laundering control, etc.

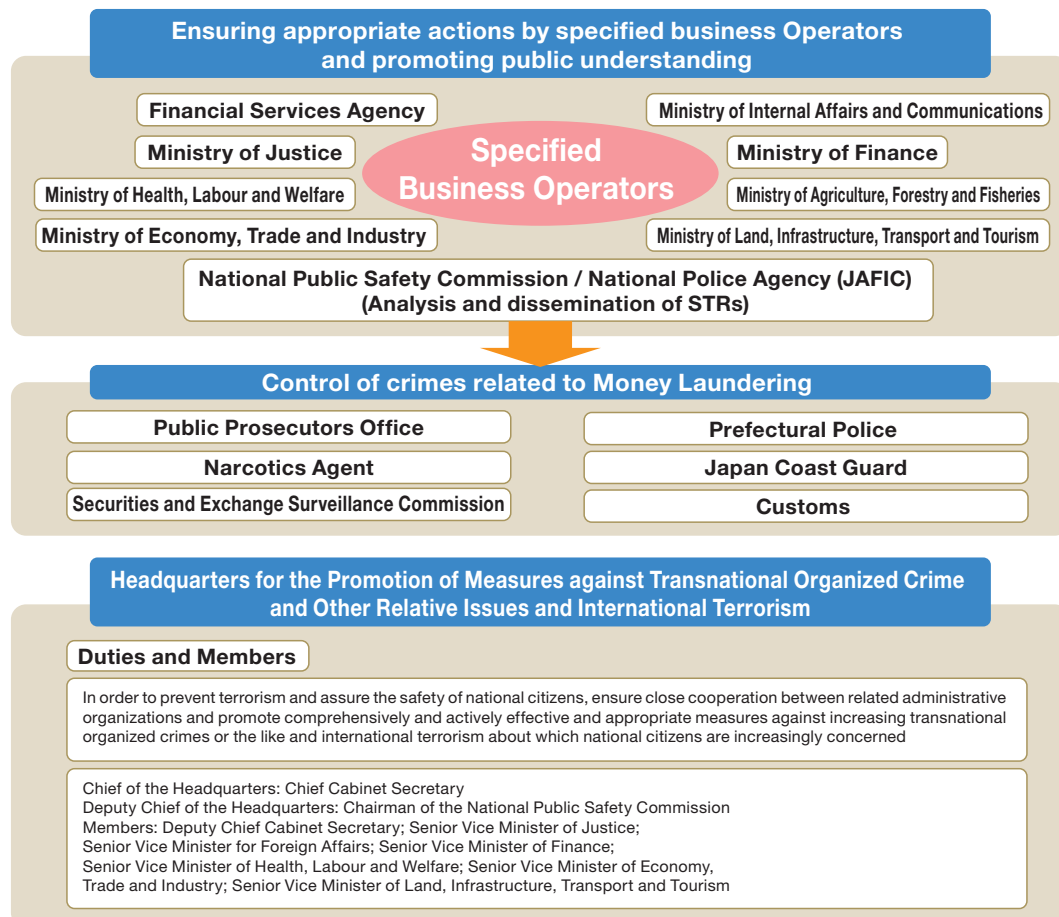
Figure3-1 Structure of JAFIC



Section3 JAFIC and Partners

Specified business operators including financial institutions should take initial anti-money laundering measures according to the Act on Prevention of Transfer of Criminal Proceeds. As stated in this chapter separately, in addition to the analysis of financial intelligence, JAFIC endeavors to publicize the actual conditions of money laundering and legal systems and relevant countermeasures so that specified business operators can take the proper actions and gain cooperation from the public. Relevant ministries and agencies in charge of supervising business operators should not only exercise the supervisory function to secure the fulfillment of obligations, but should also issue List of Reference Cases of Suspicious Transactions, and seminars in cooperation with industry organizations. On the other hand, investigative authorities, such as the police, detect money laundering and predicate offences and, as a result, confiscate criminal proceeds within their respective jurisdictions. These ministries and agencies carry out their duties in each position, while also cooperating with each other by exchanging useful information, discussing issues in preventing money laundering and other ways. Also, for the purpose of promoting effective and appropriate measures against transnational organized crimes and international terrorism in a comprehensive and active manner, the "Headquarters for the Promotion of Measures against Transnational Organized Crime and Other Relative Issues and International Terrorism" was established in a Cabinet Meeting in August 2004. In addition, the "Ministerial Meeting Concerning Measures against Crime" which was started by the cabinet meeting agreement on September 2003, frequently discusses anti-money laundering measures.

Figure 3-2 Anti-money Laundering Measures in Each Governmental Organization



Section4 Countermeasures against Criminal Proceeds by the Police

From the perspectives of confiscating 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 law, issued "the Guideline for Promotion of the Criminal Proceeds Control" with the notice of the Deputy Commissioner General of the National Police Agency dated April 26, 2007. In order that the police departments in Japan collectively strengthen measures against criminal proceeds, the Guideline clarifies fundamental items and ideas of these measures. Fundamental items in carrying out measures against criminal proceeds indicated by "the Guideline for Promotion of the Criminal Proceeds Control" are composed of four principles and six promoting items as follows:

1 Principles for Countermeasures against Criminal Proceeds

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

2 Promoting Items of Countermeasures against Criminal Proceeds

- (1) Arrangement of the promotion of a system 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 of crime related criminal proceeds.
- (2) Promotion of voluntary efforts by specified business operators and increased public awareness
The police should provide information on the transfer of criminal proceeds, instruction and advice to specified business operators and conduct public information and educational activities to deepen general understanding about AML/CFT measures.
- (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 department should collect the information necessary for effective countermeasures against criminal proceeds. Relevant sections in a police department should maintain close cooperation with one another.
- (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. Each prefectural police department should utilize STRs, apply the Act on the Punishment of Organized Crime, the Anti-Drug Special Provisions Law and other laws, while also promoting information collection activities.
- (5) Promotion to deprive Criminal Proceeds
Measures to prevent the transfer criminal proceeds shall be properly carried out, by not only arresting suspects, but also by the locating of criminal proceeds and the pre-indictment

confiscation security order of such criminal proceeds. Also, close coordination with the Public Prosecutor's Office shall be strengthened with regards the deprivation of criminal proceeds.

(6) Promotion of international cooperation

The police should strengthen international cooperation by, for example, exchanging information with foreign FIUs, responding to revisions of international recommendations, and supporting foreign countries in implementing international recommendations.

The police have already put into practice, actively, as described in Chapter 6, the policies indicated by "the Guideline for Promotion of the Criminal Proceeds Control" through various criminal investigations.

Figure 3-3 Overview of the Promotion Outline of Measures against Criminal Proceeds



Section5 Cooperation with Business Operators and the Public

Paragraph1 Explanation and Provision of Information, etc. on Seminars Targeting Specified Business Operators

1 Explanation on Seminars for Financial Institutions

JAFIC jointly held with the Financial Services Agency, “Suspicious Transactions Reporting” seminars for financial institutions 17 times, in total at 12 places in Tokyo and at Local Finance Bureau of the like from October to November 2009, where it explained about cases of suspicious transactions reporting utilized by investigative authorities and points to keep in mind when filing the report and so on and answered the question made by employees of financial institutions.



Explanation at a Seminar

2 Explanation on Seminars for Dealers in precious metals and stones

The “Suspicious Transactions Reporting” seminar for dealers in precious metals and stones, precious metals was held by the National Police Agency and the Ministry of Economy, Trade and Industry, in February 2009, to summarize the law and to explain the responsibilities of specified business operators.



Seminar for Currency exchanging Operators

3 Explanation on Seminars for Real Estate Agents

From February to March 2009, the “Briefing on the Act for the Prevention of Transfer of Criminal Proceeds” seminars for Real Estate Agents were held by the National Police Agency and the Ministry of Land, Infrastructure and Transport at 10 locations, such as the Regional Bureau of the Ministry of Land, Infrastructure and Transport, to summarize the law and to explain the responsibilities of specified business operators.

4 PR on Website

The web-page of JAFIC has been created in the National Police Agency website, that publicizes the annual report, JAFIC's activities, and description of Act on Prevention of Transfer of Criminal Proceeds.



Website of JAFIC



Leaflet

Police Agency Website

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

Website of JAFIC

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

Paragraph2 Provision of Information for Specified Business Operators following the U.N. Security Council Resolution

When, for example, the United Nations Security Council adopts a resolution on measures for freezing the assets related to person or organization deemed to be involved in terrorism, etc., the National Police Agency shall disseminate the content to specified business operators and thoroughly request the implementation of the fulfillment of customer identification obligation and suspicious transaction reporting obligation on the person or organization whose assets, etc. are targeted for freezing. Moreover, the targeted person or organization of the said measure shall be listed on the website.

Furthermore, in response to the adoption of a resolution at the United Nations Security Council in June 2009, the measures to freeze assets which can contribute to the plans and activities related to nuclear, ballistic missiles, or other weapons of mass destruction of North Korea, were determined to be carried out in July in the same year. As well as giving this publicity to the financial institutions, the National Police Agency requested them to pay special attention to asset transfers related to North Korea, and to work on the thorough implementation of the fulfillment of customer identification obligation and

suspicious transaction reporting obligation based on the Act for the Prevention of Transfer of Criminal Proceeds, in coordination with related governmental agencies.

Paragraph3 Efforts of Specified Business Operators

1 Efforts of Banking Industry

The "Japanese Bankers Association" (hereinafter referred to as "JBA"), of which most of the banks active in Japan are members, established the "Working Committee on Money Laundering Issues" within JBA in 1990 and, since then, has been taking anti-money laundering and combating financing terrorism measures, such as preparing and providing notices on items to keep in mind regarding the procedures of customer identification and suspicious transaction reporting, preparing and distributing seminar handbooks for its members, giving seminars for its members, and so on.

Furthermore, JBA prepares leaflets, posters or the like to be provided to customers regarding customer identification procedure, etc. In addition, JBA is promoting organizational measures on issues related to money laundering and terrorist financing inside and outside of Japan by following, at all times the development of AML and CFT measures at FATF, exchanging and sharing information continuously with foreign bankers associations or the like, making responses to FATF mutual evaluations of Japan, and so forth. As an example of JBA playing a leading part in the efforts of the banking industry, it incorporated into its "Code of Conduct," established in November 2005, provisions on compliance including money laundering prevention and confrontation with antisocial forces, and has had its members put them into practice.

2 Efforts of Securities Industry

The securities industry has made efforts to eliminate Boryokudan, etc. from securities transactions and promote anti-money laundering measures.

Moreover, the Japan Securities Dealers Association as well as each stock exchange, together with related institutions including the Financial Services Agency and the National Police Agency, established the "Securities Safety Liaison Committee" and "Securities Safety Liaison Committee Working-level Conference" in November 2006 to examine further measures to eliminate the Boryokudan from the industry. On July, 2007, "Elimination of Antisocial Forces from Securities Transactions and the Securities Market" was published as an interim report of the examination results of above mentioned working-level conference.

In February 2008, the "Concept of Reporting Suspicious Transactions" was summarized to ensure effective reporting, clarifying the need to further strengthen countermeasures against money laundering, such as the prompt reporting of suspicious transactions.

Moreover, in addition to securities companies, the Japan Securities Dealers Association, Stock Exchange, Financial Bureau, Prefectural Police Department, the National Center for Elimination of Boryokudan and the Bar Association established the "Securities Police Liaison Council" in each prefecture, and effectively improved the elimination of the Boryokudan from the industry and the prevention of money laundering, through on-site level information exchange and the implementation of seminars.

Additionally, the Japan Securities Dealers Association has established the "Securities Safety Countermeasure Support Center" in March 2009. It is registered as the management body of information violent demands based on the Law Concerning Prevention of Unjust Acts by Boryokudan, by the National Public Safety Commission, the National Police Agency. It carries out operations to receive inquiries and consultations from securities companies.

3 Efforts of Real Estate Industry

In December 2007, the real estate industry established the "Liaison Council for Preventing Transfer of Criminal Proceeds and Preventing Damage by Antisocial 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 antisocial forces in preparation for the total enforcement of the Act on Prevention of Transfer of Criminal Proceeds. 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 discussing the development of a responsibility system with relevant operators, and preparing and distributing brochures, etc. for the purpose of enlightenment.

4 Efforts of Lawyers 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, and establishing with a resolution of the general assembly meeting in March 2007, the "Rules on Identification of Clients and Record-Keeping" which stipulates the obligations of a lawyer; e.g., confirming the identity of a client, preserving the records for certain practices, and not accepting a request if suspected to be used for transfer of criminal proceeds. The rule was put into effect on July 1, 2007.

Every year, the Japan Federation of Bar Associations, in cooperation with each bar association, makes efforts to publicize this rule through inserts in PR brochure holding seminars and delivering training videos over the Internet.

Section6 Measures to Ensure the Effectiveness of the "Act on Prevention of Transfer of Criminal Proceeds"

The National Public Safety Commission, the National Police Agency (JAFIC), requests to submit reports to the specified business operators suspected of violating the obligation of customer identification, etc. prescribed in the Act on Prevention of Transfer of Criminal Proceeds or directs to conduct necessary inquiry to the prefectural police, through the process of Furikome fraud investigation carried out by prefectural police.

In 2009, 16 requests to submit report were carried out on 16 postal receiving service providers (so-called private P.O box companies), and 2 directions of necessary inquiry, one for money lender and the other for telephone receiving service providers, were given to the prefectural police. In addition, based on the result of reports, the National Public Safety Commission, the National Police Agency stated 9 opinions to take necessary measures to rectify violating the provision of the Act on the Prevention of Transfer of Criminal Proceeds by the business operators, to the Ministry of Economy, Trade and Industry which is a competent administrative agency of the postal receiving service providers in the same year. In accordance with them, the Ministry of Economy, Trade and Industry issued 7 orders for rectification to the postal receiving service providers.

Table 3-1 Implementation of Request to submit report, etc. by National Public Safety Commission, National Police Agency

	2008	2009
Number of request to submit reports to the specified business operators	11	16
Number of direction to conduct inquiry to the prefectural police	1	2
Number of stating opinion to the competent administrative agency	4	9

Current Conditions of the Application of Penal Provisions regarding Delivery/Provision of Deposit/Savings passbook, etc. (tentative number of cases)

In the Act on Prevention of Transfer of Criminal Proceeds Article 26, which replaces the Customer Identification Act, Article 16-2, regulates the punishment for selling and/or buying of deposit/savings passbooks, etc.

Enforcement of Penal Provisions according to the Act on Prevention of Transfer of Criminal Proceeds came into force on March 1, 2008. As such, the Customer Identification Act by Financial Institutions is applied to the selling and/or buying of deposit/savings passbooks, etc. for cases before this date (statutory punishment is the same).

There were 944 arrested cases of violation of the Act on Prevention of Transfer of Criminal Proceeds Article 26 (delivery/provision of deposit/savings passbook, etc.) (including arrests for the violation of the Customer Identification Act, Article 16-2) in 2009. Of these, 919 cases (97.4%) related to delivery or provision.

Chapter 4

Reports of Suspicious Transactions

The Act on Prevention of Transfer of Criminal Proceeds requires specified business operators to file a report to a competent administrative authority if a transaction is suspected to be related to criminal proceeds. This measure was made obligatory for the first time in the Anti-Drug Special Provisions Law and was carried over to the Act on Prevention of Transfer of Criminal Proceeds through the Act on the Punishment of Organized Crime.

Section1 Outline of the Suspicious Transaction Report System

1 Purpose

The Suspicious Transaction Report System aims, by supporting investigation on money laundering and predicate offences, to prevent illegal use of the services of legal businesses and ensure their soundness and trust.

2 Cases in which Reporting is Required

Specified business operators are required to file an STR to a corresponding supervising authority, when they suspect, during the course of their businesses (types of the businesses listed in table 2-2), that assets they received are criminal proceeds or that their client commits an offence of concealment of criminal proceeds.

3 Announcement of List of Reference Cases of Suspicious Transactions (Guideline)

Specified business operators are expected to judge whether the concerned transaction is a suspicious transaction with their own knowledge and experience at that industry, taking into account the form of transaction, client attributes and conditions surrounding the transaction. It may well be the case, however, that some operators simply lack adequate understanding of money laundering and find it difficult to make an appropriate judgment. Therefore, in Japan, since the time of the Anti-Drug Special Provisions Law, "List of Reference Cases of Suspicious Transactions," has been issued for specified business operators as a guideline for reporting. It is often called the "Reporting Guideline." After full enforcement of Act on Prevention of Transfer of Criminal Proceeds, which covers a wider variety of specified business operators than before, competent supervisory administrative authorities have announced reference cases of suspicious transactions, based on the characteristics of respective specified business operators.

These reference cases are listed as clarified in the introduction thereof, samples of suspicious transactions are intended merely for reference. This means, it is for the specified business operator to judge whether an individual case is a suspicious transaction, taking into account the client's attributes, conditions surrounding the transaction and other specifics of the transaction. All the transactions that appear to match the listed samples do not necessarily have to be reported as suspicious, while transactions that do not fall within any of them may still be suspicious and subject to reporting.

4 Analysis of Bank Account used for Crime

JAFIC has carried out operations to statistically abstract the characteristics of bank accounts used for

crime in cooperation with prefecture police, etc. in order to use for the JAFIC to sort and analyze information regarding STRs, as information provision to the specified business operators that is regulated in the Act on Prevention of Transfer of Criminal Proceeds, Article 3.

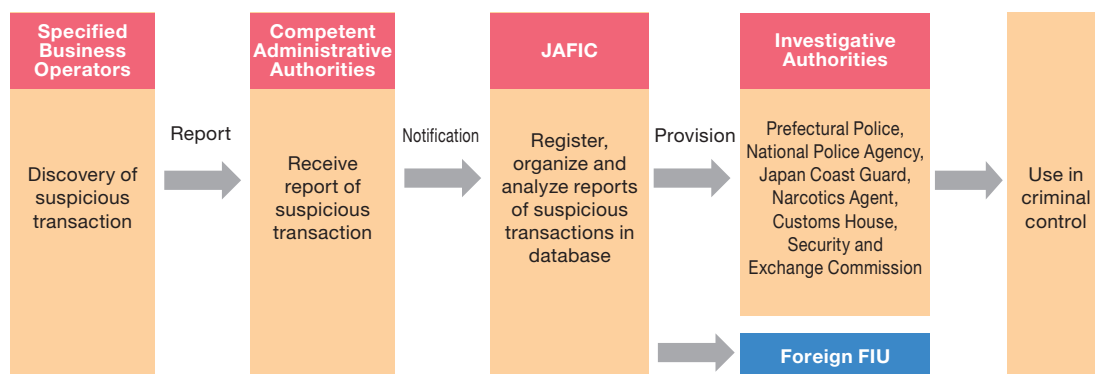
5 Flow of Suspicious Transactions Reporting

Information reported by specified business operators are collected at National Public Safety Commission / National Police Agency (JAFIC), via the competent administrative authorities. JAFIC sorts, analyzes and selects STRs, and then disseminates these STRs to investigative authorities such as the Prefectural Police, the Public Prosecutor's Office, etc.

The investigative authority receives and uses STRs as clues for criminal investigation, detection of criminal proceeds, and tracing the source of illicit funds, etc. Moreover, JAFIC provides foreign FIUs with information, etc. of overseas transactions as needed, in order to trace criminal proceeds transferred across international borders.

Furthermore at JAFIC, a detailed analysis of STRs is carried out using the information gathered by the police for organized crime countermeasures, etc. and the result of analysis are disseminated to related Prefectural Police.

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



6 Information Security Measures

Since STRs include sensitive information on individuals and business activities, JAFIC carries out due information security measures to prevent leakage, loss, damage, or other misconduct. The handling of relevant information is set forth in the regulations of the National Public Safety Commission.

In particular, since a large amount of information is stored in the database system which manages suspicious transactions, sufficient security measures are required. Various security measures taken by JAFIC are as follows.

(1) Management of Entering and Exiting

Terminals that can access information stored in JAFIC database are located in a room with a door that is controlled by a biometric authentication system. Only a limited number of staff members are permitted to enter the room.

(2) Three steps of Authentication

In order to access the information in JAFIC database, three levels of authentication are required. In other words, the information can be reached only after authentication is done 3 times, in 3 different ways. In the authentication procedure, if more than one mistake occurs, access from the terminal is prohibited, and in this way use without permission is securely prevented.

(3) Surveillance of Terminal

All processing operated at the terminal, such as file inquiries and printing, is monitored and recorded by surveillance software. This allows for tracing survey in case of illegal operation, as well as restraining illegal operation within the organization.

(4) Physical Measures of Terminal

Each terminal is firmly affixed to a desk with a security wire, to prevent theft. Chapter 4 Reports of Suspicious Transactions.

(5) Strengthening of Server Management

The server that contains reporting information is located in a server room with adequate security measures, and only qualified staffs are allowed to enter.

(6) Encryption of Terminal's Hard Disk Drive Information

The hard disk drives on the terminals that are used to access the database system are all encrypted. Therefore, if the hard disk drives are removed and taken out, the information recorded in the hard disk drive and all related programs will still be inaccessible.

(7) Encryption of Circuit

Transmission between the server and terminals is encrypted with a special circuit.

Section2 Situation of Suspicious Transaction Reports

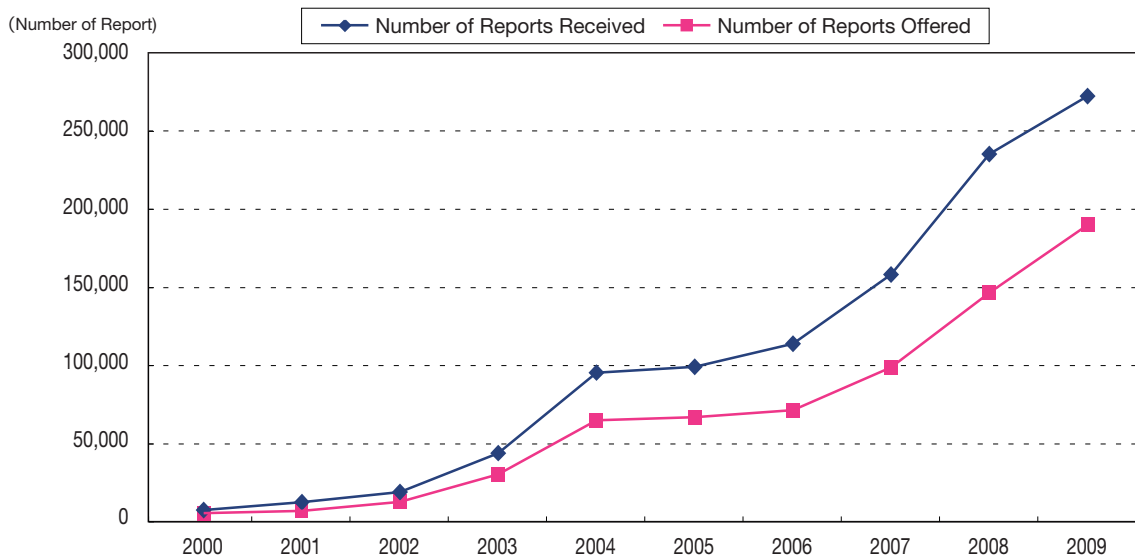
1 The change in the number of reported cases

As described in Chapter 1, although the system of suspicious transaction reports was established by the enforcement of the Anti-Drug Special Provisions Law in 1992, less than 20 cases were reported 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 the Punishment of Organized Crime in 1999 (enforced in February 2000), crimes subjected in suspicious transaction reports was expanded from drug-related crimes to serious crimes, and the number of reports exceeded 1,000 cases in 1999. Since the enforcement of the Act on the Punishment of Organized Crime in the year 2000, the number of reports has increased each year, and has rapidly increased since the enforcement of the Act on Prevention of Transfer of Criminal Proceeds. The number of reports in 2009 was 272,325, an increase of 37,065 cases (15.8%), about 37.6 times increase compared to 2000.

Table 4-1 Trend Diagram of Number of Reports of Suspicious Transactions (1992-1999)

	1992	1993	1994	1995	1996	1997	1998	1999
Yearly number of Reports Received	12	17	6	4	5	9	13	1,059

Note: The notifications of 1992 are those made after July, the month the notification system was established.

Figure 4-2 Trend Diagram of Number of Reports of Suspicious Transactions (2000-2009)

Number of Reports Received	7,242	12,372	18,768	43,768	95,315	98,935	113,860	158,041	235,260	272,325
Number of Reports Offered	5,329	6,752	12,417	30,090	64,675	66,812	71,241	98,629	146,330	189,749

Note 1: Annual reports are the reports received by the Financial Services Agency between February 2000 and March 2007 and by the National Public Safety Commission and the National Police Agency after April 2007. And received cases in 2007 are the total received reports of Financial Services Agency, National Public Safety Commission and the National Police Agency.

Note 2: Annual provided reports are those disseminated by the Financial Services Agency to the National Police Agency between February 2000 and March 2007 and by the National Public Safety Commission / National Police Agency(JAFIC) to investigation agencies, etc. after April 2007. The provided number in 2007 is the total provided cases by Financial Services Agency and National Public Safety Commission / National Police Agency (JAFIC).

The circumstances regarding the increase in reporting numbers can be thought to be

- The monitoring system for illegal funds has been reinforced by financial institutions, along with an overall improvement of compliance awareness in society.
- The implementation of client management measures based on the Risk Base Approach have gradually conducted.
- The notification system of suspicious transaction to new business operators such as credit card business, etc. has expanded.

Moreover, financial institutions, etc. have taken various measures, both tangibly and intangibly. In particular, some financial institutions, whose STRs have been increased, have promoted training on countermeasures against money laundering using resources, such as handbooks for employees, and have improved the ability of individual employees, as well as strengthening the system to identify suspicious transactions, by increasing personnel in charge of money laundering countermeasures and the introduction of the detection systems for suspicious transactions.

2 Number of Reports by Business Types

The number of suspicious transaction reports that each category of businesses filed in 2009 is shown in table 4-2. Banks have the highest number of reports with 252,415 cases, or 92.7% of all reports, followed by Shinkin bank and Credit cooperative (10,941 cases, 4.0%), and financial instrument business operators (3,828 cases, 1.4%).

It accounted for just a fraction of percent of the reported STRs, but new business operators of credit companies showed the highest increase in the number of reports in 2009, with an increase of 313.7% compared to the previous year.

Moreover, notification cases by new business operators were 1,697 cases, a large increase of +229.5% compared to the previous year.

Table 4-2 Number of Suspicious Transaction Reports by Business Types

Business Type		2008		2009		Increase/Decrease rate	
		Number of reports	%	Number of reports	%	Number of reports	%
Bank		216,016	91.8%	252,415	92.7%	36,399	16.9%
Japan Post		722	0.3%	1,163	0.4%	441	61.1%
Shinkin bank and Credit Cooperatives		13,218	5.6%	10,941	4.0%	-2,277	-17.2%
Financial Instruments Business		3,321	1.4%	3,828	1.4%	507	15.3%
Money Lending Business		509	0.2%	1,148	0.4%	639	125.5%
Norinchukin Bank, etc.		420	0.2%	281	0.1%	-139	-33.1%
Labour Bank		234	0.1%	161	0.1%	-73	-31.2%
Insurance Company		113	0.0%	183	0.1%	70	61.9%
Other		192	0.1%	508	0.2%	316	164.6%
new business operators	Financial Leasing	64	0.0%	60	0.0%	-4	-6.3%
	Credit Card	365	0.2%	1,510	0.6%	1,145	313.7%
	Real Estate Transactions	21	0.0%	33	0.0%	12	57.1%
	Dealers in Precious Metals and Stones	8	0.0%	0	0.0%	-8	-100.0%
	Postal Receiving Service	57	0.0%	92	0.0%	35	61.4%
	Telephone Receiving Services	0	0.0%	2	0.0%	2	-
Total		235,260	100.0%	272,325	100.0%	37,065	15.8%

3 Number of notification cases classified by notification methods

According to notifications of suspicious transaction by notification method, notification by electronic application using the e-governance on-line (e-Gov) window, and notification other than notification by electronic application (sending documents, etc. to the supervising administrative government agency) are described in Table 4-3.

Table 4-3 Number of Notification Cases by Notification Methods

Notification Methods	2008		2009		Increase/Decrease rate	
	Number of reports	%	Number of reports	%	Number of reports	%
Electronic Application	111,921	47.6%	156,291	57.4%	44,370	39.6%
Other Methods	123,339	52.4%	116,034	42.6%	-7,305	-5.9%
Total	235,260	100%	272,325	100%	37,065	15.8%

Notification rate by electronic application increased 9.8 points from 47.6% in 2008 and 57.4% in 2009. This is assumed to be due to efforts to publicize notification by electric application, in order to reduce the load of the notifying person through workshops targeting specified business operators.

Section3 Use of Suspicious Transaction Reports

Paragraph1 Dissemination to Investigative Authorities

JAFIC provides investigative authorities with STRs reported by specified business operators that have been judged to be conducive to the investigation of money laundering or predicate offences. Investigative authorities are Prefectural Police, Public Prosecutors Office, Narcotics Control Department, Japan Coast Guard, and Customs and Securities and Exchange Surveillance Commission.

In 2009, 189,749 reports were disseminated to investigative authorities, an increase of 43,419 cases (29.7%) compared to the previous year (See figure 4-2). In addition, there were no requests to send copies of records of the information regarding suspicious transaction from investigative authorities.

The number of disseminated reports in 2009 was 69.7 % of all the STRs and this percentage is an increase of 7.5 points compared to the previous year. The disseminated information is used by investigative authorities to assist investigations concerning money laundering and predicate offences and for anti organized crime measures including deprivation of criminal proceeds.

Paragraph2 Outlook of How STRs are Used

The number of cases cleared by prefectural police that were initiated with information regarding STRs (hereinafter referred as “initiated cases”) was 337 cases in 2009, and this is the highest number since the Organized Crimes Punishment Law has been enforced. The number of cleared cases of money laundering within the initiated cases was 9 cases in 2009.

Table 4-4 shows the numbers categorized by the details, and fraud has the largest number making up 78.6%.

Table 4-4 Number of Cases Cleared that Started with Suspicious Transaction Reports

Crime \ Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
Fraud	2	3	2	4	6	14	34	81	132	265	543
Violations of the Act on Prevention of Transfer of Criminal Proceeds								6	15	48	69
Violation of Money-Lending Business Law and Law Concerning Receiving of Capital		1		3	3	1	2	3	12	9	34
Violation of Immigration Control and Refugee Recognition Act		2	5	1		2	12	1	3	4	30
Violation of Financial Instruments and Exchange Law								2	1	2	5
Embezzlement										2	2
Forgery of documents		2	1		2	1		2	2	1	11
Drug offenses		1	2						1		4
Gambling			1					1			2
Other	1	5	5	4	2		2	3	9	6	37
Total	3	14	16	12	13	18	50	99	175	337	737

Note 1: This is the number held by National Police Agency

Note 2: Violations of the Act on Prevention of Transfer of Criminal Proceeds include violation of the Customer Identification Act, and violation of the Financial Instruments and Exchange Act include violations of the Securities and Exchange Law

Note 3: Drug-related crimes are in violation of each the Special Drug Act, Stimulants Control Act, Cannabis Control Law, Narcotics and Psychotropics Control Act and Opium Act.

Table 4-5 The Number of Cleared Cases of Money Laundering from the Initiated Cases

Crime \ Year	2007	2008	2009
Fraud	6	2	4
Violation of Money-Lending Business Law and Law Concerning Receiving of Capital	1	6	4
Other	2	1	1
Total	9	9	9

With regard to the number of STRs used for investigation by prefectural police, 1,261 investigations were initiated with STRs. Other than these, there were 68,680 STRs used for other investigations.

In the investigations not initiated with STRs, many STRs are used for criminal investigation that started from a different source, for further crimes, for locating criminal proceeds. In addition, they are used as essential intelligence to promote anti organized crimes measures, such as for revealing sources of income or utilizing funds of Boryokudan.

The STRs being used for criminal investigation that initiated with the STRs but still under investigation are counted as the STRs being not initiated with STRs.

Moreover, within 236 money laundering crime arrests in 2009, STRs was effectively used in the investigation process of 16 cases of money laundering crime or predicate crime, in addition to being used as clue in 9 cases which described in this section.

Table 4-6 Number of STRs Used

	2007	2008	2009
Number of STRs used for investigation of cases cleared that initiated with information contained therein	907	668	1,261
Number of STRs used for investigation of cases other than above mentioned	23,079	44,199	68,680

Note: In the number of STRs used for investigation of cases cleared that initiated with STRs, the number of STRs used, when the case is cleared, is added up.

Moreover, JAFIC tries to obtain a realistic view of the movement of funds of the antisocial syndicates such as Boryokudan by comprehensive analysis of information contained in the STRs of customers, by matching them with other STRs from the same customers that were reported in the past; information accumulated to measure for organized crime, as well as publicly available information.

These analyses have revealed that antisocial syndicate makes use of Boryokudan affiliated companies, investment partnerships and other kind of corporate vehicles and utilizes their funds in various ways and transfers a large amount of funds overseas.

Although it can be assumed that the resources of a large part of the funds handled by antisocial syndicates are sometimes from criminal proceeds, there are many cases that their relationship with particular predicate offences is obscured because various fund activities make its source unclear and utilized in various ways.

As recent cases of arrests typically show, antisocial syndicates often use affiliated companies as cover, feign normal transactions that hide any connection with Boryokudan, receive cooperation from others who have various information and specialized knowledge, and thus use their funds. This is one of the main factors which make the fund-raising activity by antisocial syndicates opaque.

Therefore, in order for the actual conditions of fund-raising activities to become more transparent, JAFIC is convinced that it is important to continue to monitor and trace the movement of funds of antisocial forces, and to enhance the control of illegal activities committed in the course of fund-raising activities through the utilization of the analysis of STRs as well as a close cooperation with investigative authorities, including Customs, Securities and Exchange Surveillance Commission and foreign FIUs.

Chapter 5

Promotion of International Cooperation

Section1 Need for International Cooperation on AML/CFT Measures

Economy and financial services are widely globalized today, and money transfers can be made instantly across borders. There are a number of cases in which crime and terrorist organizations attempt to evade law enforcement authorities' investigations by transferring criminal proceeds to foreign countries, and terrorist funds through third-party nations.

Non-cooperative jurisdictions, or those taking insufficient AML/CFT measures are likely to be misused as an escape route for money-laundering or terrorist financing.

It is in this context that no jurisdiction can be outside the global network to tackle money laundering and terrorist financing. Every jurisdiction needs to closely cooperate with others in making and implementing measures against this, so relevant authorities can trace and detect illicit proceeds and prevent criminal organizations from abusing international financial system for illicit purposes.

Therefore, measures against money laundering and terrorist financing have been taken by various international organizations including FATF (Financial Action Task Force).

From the inception of the Japan Financial Intelligence Office (JAFIO), Japan's FIU had actively participated in the discussion at FATF and other international institutions.

JAFIC (Japan Financial Intelligence Center), Japan's new FIU, established in April 2007, is required not only to take over the achievements of JAFIO, but also to seek to collaborate even more vigorously with other countries in promoting global implementations of effective AML/CFT measures.

Section2 Activities of International Institutions and Japan's Participation

Paragraph1 FATF

1 FATF

FATF (Financial Action Task Force) is an intergovernmental body established by the "Economic Declaration" of the 1989 Archa Summit Communique to promote international cooperation on AML measures. After the September 11 US terrorist attacks of 2001, FATF has also taken the initiative in the promotion of international CFT measures.

FATF has 33 member jurisdictions (including Japan) and 2 international organizations as of December 2009.

2 Activities of FATF

(1) Main Activities of FATF

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 money laundering and terrorist financing

(2) The FATF Recommendations

a) The 40 Recommendations

In 1990, FATF laid out standards in "the 40 Recommendations", to be applied by jurisdiction in the field of law enforcement, criminal justice, and financial regulations. In 1996, FATF revised the Recommendations and, for instance, made the Suspicious Transaction Report obligatory, and required predicate offences to include serious crimes as a whole. With cooperation from private sectors, FATF started a re-evaluation process of the Recommendations in 2001 to improve AML/CFT measures against the increasing sophistication and complexity of money laundering. The re-revision was finalized and publicized in June 2003.

The new "40 Recommendations" contained following additional elements.

- Clear definition and expansion of scope of money laundering offense
- Risk sensitive customer due diligence through customer identification
- Countermeasures against the misuse of corporation
- Application of preventive measures to specified non-financial businesses (real estate agents, dealers in precious metals and stones) and professions (lawyers, accountants and other professionals)
- National and international cooperation among FIUs, supervisory authorities, law enforcement authorities and other governmental organizations handling issues related to money-laundering

In 2009, as a part of preparation for the 4th round of Mutual Evaluations, there have been lively discussions for further review of "40 Recommendations" in the FATF meetings including those of new expert groups established for the review.

b) The 9 Special Recommendations on Terrorist Financing

In October 2001, a month after the September 11th US terrorist attacks, FATF held an Emergency Session to discuss countermeasures against terrorism. The agreement of the session was reflected on "8 Special Recommendations" and made public. Since FATF added a new recommendation on "cash couriers" to this in October 2004, it is now called "9 Special Recommendations on Terrorist Financing." Main components of the 9 Special Recommendations are as follows:

- Criminalization of terrorist financing
- Requiring suspicious transaction reporting related to terrorist financing
- Requiring financial institutions to store and make available to authorities accurate and meaningful originator information (name, address and account number) of wire transfers

(3) Mutual Evaluations

FATF employs a peer review approach to encourage its members to implement recommendations. Member jurisdictions are evaluated by other members from various viewpoints such as law or regulation for anti-money laundering and terrorist financing, control regime and arrest for money laundering crime. Mutual Evaluations of Japan conducted three times in the past, in 1994, 1998, and 2008 (as for the Third Mutual Evaluation of Japan, See section 4).

3 Participation of JAFIC in FATF

As one of the founding members of FATF, Japan has been a very active contributor to its work since its establishment in 1989. Japan chaired the plenary between July 1998 and June 1999 and the former FIU, The Japan Financial Intelligence Office (JAFIO) which had been established within the Financial Services Agency, have participated in tri-annual plenary meetings and working groups which conducts analysis of money laundering typologies. Even after the functions of FIU were transferred from JAFIO to JAFIC, JAFIC has continued to actively participate in the discussion for new frameworks of AML/CTF measures. In 2009, it sent several staff members to plenary meetings held three times an year and 2 members to projects of working group on money laundering typologies.

Moreover, JAFIC sent its staff member as an assessor to the on-site visit for the Mutual Evaluation of New Zealand in April 2009.

Paragraph2 APG

1 APG

APG (Asia/Pacific Group on Money Laundering) is an international cooperative body established in February 1997 at the FATF 4th Asia/Pacific Money-Laundering Symposium held in Thailand to promote anti-money laundering measures in non-FATF member jurisdictions in the Asia/Pacific region.

As of end of December 2009, the APG consists of 40 jurisdictions, including Japan.

2 Activities of APG

The main activities of APG are as follows.

1. Promotion of compliance with 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 Participation of JAFIC in APG

Japan is one of the founding members of APG and has been actively contributing to APG, much as it has with FATF. For example, the first and second typologies meetings in March 1998 and March 1999 were held in Tokyo and Japan took the role of co-chair with Australia between July 2004 and June 2006.

This approach has not changed even after the function of FIU was transferred to JAFIC, and JAFIC has sent its staff members to the annual meetings and the typology meetings since its establishment. In July 2009, the delegates participated in the annual meeting held in Australia and to discuss the Mutual Evaluations of Japan, Philippine, Vietnam, Pakistan, Korea and other jurisdictions.

Furthermore, some staff members were also sent from JAFIC to the typologies meeting held in Cambodia in October 2009 to participate in the study on the best practice of information analysis at FIUs and on the latest modus operandi and trend of money laundering, and provided information such as presenting the results of analysis of recent cases on methods of an illegal transfer of money related to human trafficking using underground banks.



APG typologies meeting (Cambodia)

Paragraph 3 Egmont Group

1 Egmont Group

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, such as information exchange and training, between FIUs around the world engaging in AML measures. The group is named after the Egmont castle where the first plenary session was held. Although the Egmont Group was established as an informal forum at 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 consists of FIUs of 116 jurisdictions as end of December 2009.

2 The Main Plenary Meeting of the Egmont Group

In addition to the annual plenary meeting in which representatives from all members of FIU attend, the Egmont Group has the following working groups, which hold meetings about three times a year respectively.

1. The Legal Working Group (LWG), which reviews the candidacy of potential members and handles all legal aspects and matters of principle within Egmont Group, including cooperation between FIUs
2. The Training Working Group (TWG), which identifies training needs and opportunities for FIU personnel, and conducts training seminars for Egmont members as well as for non-Egmont jurisdictions
3. The Outreach Working Group (OWG), which works to create a global network of FIUs by identifying candidates for membership and working with those countries to ensure that they meet international standards
4. The Operational Working Group (OpWG), which seeks to bring FIUs together on typologies development and long-term strategic analytical projects
5. The IT Working Group (ITWG), which provides advice and technical assistance to new and existing FIUs to develop, enhance, or redesign their IT systems, and examines new software applications that might facilitate analytical work

3 Participation of JAFIC in the Egmont Group

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 actively participated in the activities of the Egmont Group. It sent staff members to working group meetings and the annual plenary meeting, and took part in the construction of the Egmont Group Charter. JAFIO also undertook the role of sponsor FIU (in co-sponsorship with the Thailand FIU) in the application procedures for Myanmar FIU, which is currently not yet an Egmont Group member.

JAFIC, which took over the functions of Japan FIU from JAFIO in April 2007, was granted the Egmont Group membership as the new Japan's FIU at the 15th Annual Plenary Meeting held in Bermuda in May 2007. In 2009, its staff members were sent to a working group meetings in



Egmont Group Meeting (Malaysia)

Guatemala in March, the annual meeting held in Qatar in May and a working group meetings in Malaysia in October. They participated in the discussions on the principles related to the exchange of information between FIUs, etc.

Moreover, JAFIC has took over the role of sponsor FIU in the application procedures for the FIU of Myanmar into the Egmont Group, from the JAFIO. In 2008, JAFIC also became a sponsor FIU for the FIU of Mongolia. Staff members of JAFIC with other delegates carried out on-site visit in Mongolia at the end of the year and membership of Egmont Group for Mongolia FIU was approved as a result of discussions at the working group meeting in March and the annual meeting in May 2009.

Section3 Information Exchange with Foreign FIUs

Paragraph1 Establishment of the Framework for Exchange of Information

It will not be successful without the timely exchange of information on suspicious transactions with FIUs of other countries, to detect money laundering and terrorist financing by appropriately tracing criminal proceeds or terrorist financing across borders.

On the other hand, according to the 2nd paragraph of Article 12 of the Act on Prevention of Transfer of Criminal Proceeds, JAFIC may disseminate information on suspicious transactions to foreign FIUs on condition that there is a framework governing how the foreign FIUs should use the disseminated information.

The framework as above mentioned is called MOU (Memorandum of Understanding) in the field of the international exchange for FIUs such as Egmont Group. JAFIC has been coping with the negotiations for setting the frameworks for information exchange with numerous foreign FIUs in order to constructively exchange necessary information with them.

From its establishment of April 2007 till the end of 2008, JAFIC set the frameworks of exchanging information with the FIUs of 17 jurisdictions. Moreover, in 2009, JAFIC has newly established frameworks with 3 countries (Paraguay, France, and Qatar).



MOU agreement with Qatar FIU

20 Jurisdictions which has set the framework of Information Exchange between FIUs, with JAFIC (in order of setting)

Hong Kong, Thailand, Malaysia, Belgium, Australia, U.S., Singapore, Canada, Indonesia, U.K., Brazil, Philippine (2007), Switzerland, Italy, Portugal, South Korea, Rumania (2008), Paraguay, France, and Qatar (2009).

Paragraph2 Status of Information Exchange with Foreign FIUs

JAFIC exchanges suspicious transaction information with foreign FIUs positively and quickly.

The status of the information exchange with foreign FIUs as of the end of December 2009 is shown in Fig. 5-1.

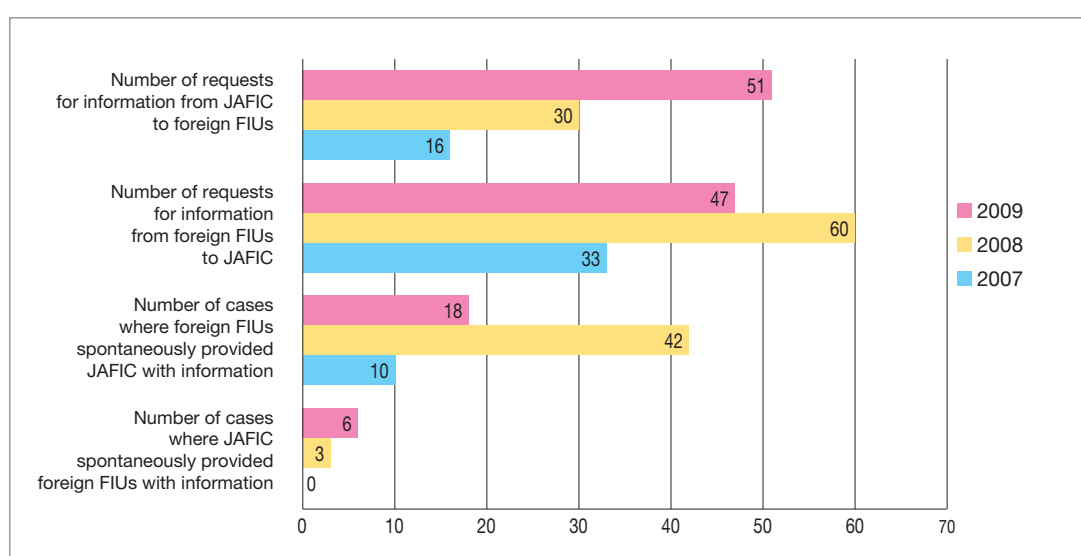
The number of requests for information to foreign FIUs, in particular, have been increasing, accompanying the improvement of the STR analysis system.

In 2009, regarding strange or unreasonable money transfers to and from foreign countries, which analyses on information of suspicious transaction have revealed, JAFIC made 51 requests for further analysis to relevant foreign FIUs for information, such as, the flow of funds transferred out of Japan, the source of remittance from abroad, etc.

JAFIC has always successfully and rapidly obtained information that was requested, as well as such useful information as foreign entities' involvement, etc. from the requested FIUs.

Furthermore, in 2009 JAFIC provided foreign FIUs with information on suspicious transactions which it finds will contribute to the performance of their duties in 10 cases. JAFIC received 68 cases of information provided by foreign FIUs during the year.

Fig.5-1 Exchange of STRs with Foreign FIUs



For such a smooth exchange of information, JAFIC actively carries out various activities such as learning how to analyze information from foreign FIUs and how to review the status of funds information by foreign investigation agencies. JAFIC has also participated in meaningful discussions on the activation of the exchange of information from now, by visiting FIUs in countries and jurisdictions where there is a need for close coordination, especially in countermeasures against money laundering and terrorist financing, and countries and jurisdictions where there still is no framework for the exchange of information.

The following achievements were made in 2009;

- March Discussion with Cayman Islands FIU (CAYFIN) (Cayman Islands)
- Discussion with British Virgin Islands FIU (FIA) (British Virgin Islands)
- September Information exchange with the U.K. FIU (SOCA) (London)
- Discussion with Jersey FIU (FCU) (Jersey)
- Discussion with Isle of Man FIU (FCU) (Isle of Man)
- Discussion with Guernsey FIU (FIS) (Guernsey)
- Participation in South East Asia Financial Investigation Seminar held by Hong Kong FIU (JFIU) (Hong Kong)
- October Individual information exchange with Hong Kong FIU, Hong Kong police, and Australia FIU (AUSTRAC) at East Asia Regional Organized Crime Countermeasure Conference (Tokyo)

November Information exchange with Qatar FIU (QFIU) (Tokyo)
 Discussion with Mexico FIU (Mexico-FIU) (Mexico City)
 December Information exchange with Korea FIU (KoFIU) (Seoul)
 Information exchange with the U.S. FIU (FinCEN) (Washington D.C)

Note: locations of the meetings are in parentheses ()



Discussion with Cayman Islands FIU



Information exchange with the U.K. FIU

Section4 FATF Mutual Evaluation of Japan

Paragraph1 Implementation of the Third FATF Mutual Evaluation of Japan

The FATF Mutual Evaluation of Japan was conducted three times; the first and second round was in the past, and the third round was in late 2007 to late 2008 with JAFIC and related government agencies responding. The mainly process and procedure of the FATF Mutual Evaluation for assessed countries are: 1. response to the Mutual Evaluation Questionnaire (MEQ), 2. On-site visit to directly confirm the actual status by assessors, 3. discussion at the FATF Plenary meeting. Japan provided the response to the MEQ in January 2008, and underwent on-site visit in Tokyo and Osaka in March of the same year. In October 2008, at the Plenary meeting in Brazil, the third round of Mutual Evaluations for Japan was concluded. Since all Mutual Evaluation Reports (MER) and executive summaries are to be published, the results of the evaluation of Japan are also published on the FATF website (<http://www.fatf-gafi.org/>) and the Ministry of Finance website (http://www.mof.go.jp/jouhou/kokkin/fatfhoudou_201030.htm).

Paragraph2 Outline of the Results

For each of 49 Recommendations there are four possible levels of compliance, C (Compliant), LC (Largely Compliant), PC (Partially Compliant), NC (Non-Compliant). The results of Japan are shown in Table 5-1, C was received for 4 recommendations, LC for 19, PC for 15, and NC for 10 (Furthermore, Japan has one recommendation that did not apply (N/A)).

For the recommendation regarding the FIU (Financial Intelligence Unit, Recommendation 26), the need to further strengthen personnel was pointed out, but also was positively evaluated for the transfer of FIU functions from the Financial Services Agency to the National Public Safety Commission / National Police Agency. (Rating: LC).

For the recommendation regarding customer due diligence by financial institutions (Recommendation 5), assessors pointed out that the measures such as certification of beneficial owner and purpose of transaction, and ongoing customer due diligence, should be directly regulated by law or the like, and

the additional customer identification should be introduced on identifying without photograph (Rating: NC).

Paragraph3 Plans for the Future Schedule

1 Future Procedures

For the procedures regulated by FATF, every 2 years after the discussion of their MER, assessed countries must provide an update to the FATF Secretariat describing the general statistics and new measures that have been adopted and implemented to deal with the identified deficiencies in relation to any of the FATF Recommendations that are rated PC or NC.

Also, Regular Follow up procedure will apply to assessed countries where six “core” Recommendations (Recommendation 1, 5, 10, 13 or Special Recommendation II or IV) are rated either PC or NC, and the assessed countries would report back to the Plenary and provide information on the actions it has or is taking to address the factors / deficiencies underlying any of the FATF Recommendations that are rated PC or NC two years after the MER is discussed. Where the Plenary agrees that the assessed country has implemented 16 Recommendations (core Recommendations, Recommendation 3, 4, 23, 26, 35, 36, 40, Special Recommendation I, III, and V) at a level essentially equivalent to a C or LC, the country will be removed from the follow- up process. FATF members are encouraged to make necessary improvements and to seek removal from the follow-up process within three years after the adoption of the MER.

Regular Follow up procedure applies to Japan because of the Recommendation 5 rated NC and Special Recommendation II rated PC. Japan will report back to the Plenary and provide information on the actions it has or is taking to address the factors / deficiencies underlying Recommendations rated PC and NC in 2010, two years after the Mutual Evaluation.

2 Establishment of the Expert Forum

Taking into account the indications in Third FATF Mutual Evaluation on Japan, in reference to how customer due diligence contributes to money laundering countermeasures in Japan, the National Public Safety Commission/ National Police Agency in cooperation with concerned ministries and agencies established the “Council on customer due diligence measures by businesses operators for anti money laundering” with academic experts and practicing professionals as its committee in order to refer to its opinion as examine how to construct effective customer due diligence measures for anti money laundering. Its first meeting was held on February 5, 2010.

The Council examines if it is necessary or appropriate and what problems it will bring to make businesses operators implement customer due diligence measures recommended by FATF. It also consults the scope and the method to make business operators to do such measures. The result of examination will be proposed by 2010 summer.

Table 5-1 Results of the Third FATF Mutual Evaluation of Japan

Recommendation	Outline of Recommendation	Rating	Recommendation	Outline of Recommendation	Rating
1	Money laundering offence	LC	25	Guideline & feedback	LC
2	Money laundering offence -mental element and corporate liability	LC	26	FIU	LC
3	Confiscation and provisional measures	LC	27	Investigation for money laundering and terrorist financing	LC
4	Secrecy laws consistent with the Recommendations	C	28	Power of competent authorities	C
5	Customer due diligence (financial institutions)	NC	29	Supervisory authorities	LC
6	Individuals who are or have been entrusted with prominent public function in a foreign country	NC	30	Resources, integrity and training	LC
			31	National cooperation	LC
7	Correspondent banking	NC	32	Statistics	LC
8	Misuse of new technologies & non face-to-face business	PC	33	Legal person-beneficial owners	NC
9	Rely on third parties and introducers for Customer due diligence	N/A	34	Legal arrangements (trust) - beneficial owners	NC
10	Obligation to maintain records of customer identification and transaction record	LC	35	Convention	PC
11	Obligation to pay special attention for unusual transaction	PC	36	Mutual legal assistance	PC
12	Customer due diligence by DNFBP (designated non-financial businesses and professions)	NC	37	Dual criminality	PC
13	Suspicious Transaction Report by financial institutions	LC	38	Mutual legal assistance on confiscation and freezing	LC
14	Obligation to protect reporter	LC	39	Extradition	PC
15	Obligation to maintain internal controls	NC	40	International cooperation (information exchange with foreign counterparts)	LC
16	Suspicious Transaction Report by DNFBP	PC	I	Implement United Nation instruments	PC
17	Sanction for non-compliance	LC	II	Criminalise terrorist financing	PC
18	Shell bank (bank incorporated in a jurisdiction in which it has no physical presence)	PC	III	Freeze and confiscate terrorist assets	PC
19	Other forms of reporting	C	IV	Suspicious transaction reporting related to terrorism	LC
20	Other DNFBP & secure transaction technique	C	V	International cooperation for terrorism	PC
21	Special attention for higher risk countries	NC	VI	Money/value transfer services	PC
22	Foreign branches & subsidiaries	NC	VII	Wire transfer rules	LC
23	Supervisory obligation for financial institutions	LC	VIII	Non profit organization	PC
24	Supervisory obligation for DNFBP	PC	IX	Cross border declaration & disclosure (Cash courier)	NC

Chapter 6

Money Laundering Trends

In order to take effective AML measures, it is necessary to understand the scale and modus operandi of actual money laundering activities. JAFIC understands them through cleared cases related to money laundering and STRs. Section 1 of this Chapter describes actual conditions based on the cleared cases of money laundering.

As explained in Chapter 2, money laundering defined in Japan means control of management of enterprises of juristic persons and other entities through illicit proceeds (Article 9), concealment of criminal proceeds, etc. (Article 10) and receipt of criminal proceeds, etc. (Article 11) stipulated in the Act on the Punishment of Organized Crimes, and concealment of drug-related criminal proceeds, etc. (Article 6) and receipt of drug-related criminal proceeds, etc. (Article 7) stipulated in the Anti-Drug Special Provisions Law. They include typical money laundering activities such as money transfer to a place to prevent tracing criminal proceeds and depositing such proceeds into a bank account under the name of another person, although they don't cover all activities to transfer criminal proceeds.

It is better understood that the number of cleared cases of money laundering shows the AML achievement in Japan. The amounts of confiscation of criminal proceeds according to the cleared cases also indicate an important element of the AML achievement. Section 2 of this chapter describes confiscation of criminal proceeds and the system of a sequestration order for confiscation before the prosecution to ensure the confiscation.

Section 1 Cleared Cases of Money Laundering

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

1 Number of Cleared Cases

There were 226 cases (53 more than the previous year) cleared of money laundering under the Act on the Punishment of Organized Crimes in 2009, including 172 cases of concealment of criminal proceeds, etc. (note) (38 more than the previous year), and 54 cases of receipt of criminal proceeds, etc. (16 more than the previous year). The accumulated total number of the cleared cases after the enforcement in 2000 of the law is 981.

(note) Criminal proceeds, etc. mean proceeds from criminal activities, assets deriving from criminal proceeds, or assets mixed these assets and other assets.

Table 6-1 Number of cleared cases of Money Laundering under the Act on the Punishment of Organized Crime

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
Management Control through Illicit Proceeds (Article 9)	0	0	0	0	0	0	1	0	1 (1)	0	2 (1)
Concealment of Criminal Proceeds, etc. (Article 10)	3 (1)	10 (5)	19 (9)	45 (25)	50 (29)	65 (21)	91 (18)	137 (35)	134 (41)	172 (49)	726 (233)
Receipt of Criminal Proceeds, etc. (Article 11)	0	2 (2)	9 (7)	11 (10)	15 (11)	42 (27)	42 (35)	40 (25)	38 (21)	54 (41)	253 (179)
Total	3 (1)	12 (7)	28 (16)	56 (35)	65 (40)	107 (48)	134 (53)	177 (60)	173 (63)	226 (90)	981 (413)

(Note) The numbers in brackets represent the number of cases conducted by Boryokudan members, etc. (known to the National Police Agency)

In 2009, the four major categories of the predicate offences of money laundering under the Act on the Punishment of Organized Crimes were fraud such as “Furikome” fraud (67 cases), loan sharking offences (48 cases) such as violations of the Investment Law and the Money Lending Business Law, theft (31 cases) and violation of the Prostitution Prevention Law (24 cases). Although the ranking changed from the previous one, fraud such as “Furikome” fraud and “loan sharking offences” were still in the top 2 categories, and the total number of cases of these two top categories was 115, representing approximately 50% of all cases cleared of money laundering. This shows that the source of criminal proceeds was from both of these crimes as same as in the previous year. (Regarding the number of cleared cases of money laundering under the Anti-Drug Special Provisions Law, please refer to Paragraph 2 of this section).

2 Modus Operandi of Money Laundering observed in Cleared Cases

(1) Examples of Concealment of Criminal Proceeds

In 2009, it is understood that the suspects tried to evade investigation of law enforcement authorities by various methods observed in the following cases; a case where “Furikome” fraud groups, who repeatedly deceived victims making them believe that they would receive a medical expense refund, etc., made victims deposit their money into bank accounts under the name of persons other than the group members (Case 1), a case where a suspect, using a message board on the website, made a victim deposit money for the purchase of an automobile into an account under the name of another person (Case 2), a case where the suspects, using fictitious names, sold products obtained by forged credit cards in organized fraud (Case 3), a case where an “Ore Ore Fraud” group had an unconcerned friend kept money, which they had obtained through the fraud and was sent through the postal mail service for a small parcel (Case 4), a case of selling stolen gift certificates, etc. at a ticket shop by impersonating another person.

Moreover, there is a trend, in concealment of criminal proceeds in the cases such as “Furikome” fraud, “loan sharking offences” and selling of pornographic DVDs, etc., that a suspect make a victim deposit money into a bank account under the another person’s name, which is still the main infrastructure for money laundering in the crimes on the non-face-to-face basis.

[Case 1] (Concealment of criminal proceeds, etc. related to “Furikome” fraud (Refund fraud) by impersonating a city official)

Unemployed men intended to deceive victims to take their money making them believe, by impersonating officials of the city and the social insurance office, that they would receive a refund of medical expenses, etc. giving directions on how to use the ATM machine for procedures to receive refund money and making them deposit their money into a bank account. The suspects made a lot of victims deposit a total of approximately 115 million yen from August 2007 to November 2007 into a bank account under the name of another person and managed by the suspects. The suspects were arrested under the Act of the Punishment of Organized Crimes (charged with concealment of criminal proceeds, etc.).

(May, Tokyo Metropolitan Police)

[Case 2] (Concealment of criminal proceeds, etc. related to fraud under the guise of selling used cars using a message board on the website)

An unemployed man, who found a message on the website from a person that wanted to purchase a high class vehicle, intended to deceive the person to take money for the amount of the sale of the vehicle. He e-mailed the person through a mobile phone, between November 2007 and April 2008, offering a fraudulent car sale, and made the victim deposit a total of approximately 1.6 million yen into a bank account under another person's name and managed by the suspect. The suspect was arrested for violation of the Act on the Punishment of Organized Crimes (and charged with concealment of criminal proceeds, etc.).

(May, Okayama Pref. Police)

[Case 3] (Concealment of criminal proceeds, etc. related to fraud in the use of forged credit cards in a wide range of areas by a fraud group in collusion with Chinese)

Executive members of a Japanese fraud group intended to make a profit by selling products bought by forged credit cards at electronics stores in collusion with Chinese exchange students. They bought a total of 590 products by forged credit cards by impersonating another person at electronics stores in Miyagi prefecture, Tokyo and Osaka between February to April 2008. Then they sold them to second hand shops under another person's name for a total of 31 million yen. The suspects were arrested for violation of the Act on the Punishment of Organized Crimes (charged with concealment of criminal proceeds, etc.).

(March, Miyagi Pref., Metropolitan Tokyo Police, and Nara Pref. Police)

[Case 4] (Concealment of criminal proceeds, etc. related to “Furikome” fraud (Ore Ore Fraud) under the guise of repayment for embezzled money using the postal mail service for a small parcel “EXPACK”)

The leader of an “Ore Ore Fraud” group deceived a victim to send money through the postal service for a small parcel “EXPACK”, making him believe, by impersonating the son of the victim, that the son need to repay money which the son had embezzled. The suspect have managed such money and had an unconcerned friend kept the criminal proceeds of approximately 50 million yen of the total of approximately 67 million yen obtained by the fraud, and concealed them in order not to be confiscated by the police even if the suspect was arrested. The suspect was arrested for violation of the Act on the Punishment of Organized Crimes (charged with concealment of criminal proceeds, etc.). The securance order before the prosecution for confiscation of approximately 20 million yen (crime victim property confiscated in this case) was applied and issued from the court.

(September, Kanagawa)

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

In 2009, there were cases of receiving criminal proceeds directly in hand, such as a case where companies received part of the profit from another company making a profit from the illegal disposal of industrial waste (Case 5), and cases of making a criminal group deposit criminal proceeds, etc. into a bank account managed by the receiver, such as a case of providing a bank account charged for use to a group, who sells child pornography and illegal pornographic DVDs, and receiving a monthly use fee sent into a bank account from the group.

[Case 5] (Receipt of criminal proceeds, etc. related to violation of the prohibition to commission of industrial waste)

The on-site supervisor of a cemetery maintenance company, who was the prime contractor of the cemetery renovation ordered by the local residents, commissioned the disposal of approximately 971 tons of industrial waste such as gravel, etc. removed from the gravestone foundation section, to an unauthorized industrial waste disposal company. The supervisor intended to receive part of the profit resulting from the illegal waste disposal by the company, and received approximately 1.5 million yen, which were criminal proceeds under the guise of the on-site management fee derived from the waste disposal commission fee. The supervisor was arrested for violation of the Act on the Punishment of Organized Crimes (charged with receipt of criminal proceeds, etc.). Furthermore, a senior operator of the waste transport company subcontracted to unlawfully dispose of approximately 971t of waste from this unauthorized waste disposal company, knowing that this company obtained illegal proceeds from the unauthorized commission of the disposal of the industrial waste, received approximately 240,000 yen, which were criminal proceeds under the guise of the construction fee. The operator was arrested for violation of the Act on the Punishment of Organized Crimes (charged with receipt of criminal proceeds, etc.).

(September, Hyogo Pref. Police)

3 Money Laundering related to Members of the Boryokudan, etc.

There were a total of 90 cases cleared (27 more than the previous year) of money laundering related to members of the Boryokudan and associate members (note) (hereinafter referred to as “members of the Boryokudan, etc.”) (39.8% of all cases cleared of money laundering) under the Act on the

Punishment of Organized Crimes in 2009, including 49 cases of concealment of criminal proceeds, etc. (8 more than the previous year), and 41 cases of receiving of criminal proceeds, etc. (20 more than the previous year)

In each criminal type of money laundering related to members of the Boryokudan, etc. of all cases cleared of money laundering, concealment of criminal proceeds, etc. was 28.5%, and receipt of criminal proceeds, etc. was 75.9%. This shows that the percentage of receipt of criminal proceeds, etc. related to members of the Boryokudan, etc. is high.

In each type of predicate offences of money laundering related to members of the Boryokudan, there were 19 cases of fraud such as “Furikome” fraud, 17 cases each of “loan sharking offences” and violation of the Prostitution Prevention Law, 8 cases each of theft and distribution of obscene material, etc., 7 cases of running a gambling place for the purpose of profit and habitual gambling, 4 cases of acceptance of charged stolen properties, 2 cases of extortion, and other offences such as violation of the Horse Racing Act, Lawyers Act, the Copyright Law and the Trademark Act. This shows that members of the Boryokudan, etc. conduct money laundering involving a variety of offences.

(Note) Associate members mean persons related to the Boryokudan other than members of the Boryokudan and likely commit illegal acts of violence, etc. with the organized power of the Boryokudan or cooperate or deal with the maintenance and operations of the Boryokudan, such as financing or providing weapons, etc. for the Boryokudan or Boryokudan members.

(1) Examples of Money Laundering related to “Loan Sharking Offences” conducted by Boryokudan Members, etc.

35.4% of all cases cleared of money laundering related to “loan sharking offences” during 2009 was related to members of the Boryokudan, etc.

Members of the Boryokudan, etc. who ran a “loan sharking” business, technically concealed criminal proceeds, etc. by making the loanees deposit money, upon receipt of the interest obtained at an illegally high interest rate, into a bank account under another person’s name and managed by them (Case 6).

[Case 6] (Concealment of criminal proceeds, etc. in violation of the Investment Law (high interest rate) / Money Lending Business Law (unregistration) in a loan sharking business)

Members of the Boryokudan of a group affiliated with the Yamaguchi Gumi, solicited so-called “system financing”, which is a loan at high interest rates in return for sending bills and checks via postal mail, to medium and small companies by FAX, etc. and loaned them at high interest rates exceeding 17 times the legal rate, and made the loanees deposit a total of approximately 440 million yen as interest for the loaned money, into a bank account under another person’s name and managed by the members. The suspects were arrested in violation of the Act on the Punishment of Organized Crimes (charged with concealment of criminal proceeds, etc.).

(March, Hokkaido Pref. Police)

(2) Examples of Money Laundering related to Fraud conducted by Boryokudan Members, etc.

28.4% of all cases cleared of money laundering related to “Furikome” fraud during 2009 was related to members of the Boryokudan, etc.

Members of the Boryokudan, etc. concealed criminal proceeds, etc. by various methods such as receiving a car loan while using fake adoption papers to hide the fact that they were heavy debtors and saving part of the money by depositing it into a bank account under another person’s name and

managed by them (Case 7).

[Case 7] (Concealment of criminal proceeds, etc. related to fraud under the guise of a car loan)

Executive members of a group affiliated with the Yamaguchi-Gumi, in collusion with executive members of another group affiliated with the Yamaguchi-Gumi, intended to conduct fraud that they made heavy debtors change their names with fake adoption papers and receive a car loan with hiding the fact that they were heavy debtors, and received 4.5 million yen from the loan of financial institutions. The suspects deposited 1 million yen of this money in a bank account under another person's name and managed it. The suspects were arrested for violation of the Act on the Punishment of Organized Crimes (charged with concealment of criminal proceeds, etc.).

(July, Aichi Pref. Police)

(3) Examples of receipt of criminal proceeds, etc. related to members of the Boryokudan, etc.

In cleared cases of receipt of criminal proceeds, etc. by members of the Boryokudan, etc. in 2009, there were 16 cases of violation of the Prostitution Prevention Act, 7 cases of fraud, 6 cases of running a gambling place for the purpose of profit and habitual gambling, 4 cases of acceptance of charged stolen properties, 2 cases each of theft, distribution of obscene material, etc. and violation of the Horse Racing Act, and 1 case each of extortion and loan sharking offences.

In the type of receipt of criminal proceeds, etc., there were cases such as a case where the Boryokudan received proceeds as Mikajimeryo (protection money) from sex trade shops operating prostitution businesses within the territory of the Boryokudan (Case 8), a case where the Boryokudan received proceeds as Mikajimeryo from illegal pornographic DVD sales companies, and a case where the Boryokudan received proceeds as paybacks for sending members as guards to an illegal casino. This shows that the Boryokudan receives criminal proceeds, etc. by collecting money as Mikajimeryo or the like.

[Case 8] (Concealment of criminal proceeds, etc. related to violation of the Prostitution Prevention Act)

Executive members of a group affiliated with the third generation Asano-gumi received a total of 600,000 yen several times as Mikajimeryo (protection money) from several illegal sex trade shops, etc. operating prostitution businesses within the area as their territory, knowing that the proceeds were derived from the prostitution, between March and November 2008. The suspects were arrested for violation of Act on the Punishment of Organized Crimes (charged with the receipt of criminal proceeds, etc.).

(March, Hiroshima Pref. Police)

4 Money Laundering conducted by Foreign Visitors to Japan

In cleared cases of money laundering under the Act on the Punishment of Organized Crimes in 2009, there were 11 cases related to foreign visitors to Japan (3 more than the previous year), representing 4.9% of all cases cleared of money laundering.

In each criminal type of money laundering, there were 10 cases of concealment of criminal proceeds, etc. (4 more than the previous year) and 1 case of receipt of criminal proceeds, etc. (1 less than the previous year). In each type of predicate offences of money laundering related to foreign visitors to

Japan, there were 4 cases of forgery of official documents such as certificate of alien registration, 3 cases of fraud by credit card, etc. and 1 case each of theft, "loan sharking offences" and violation of the Prostitution Prevention Act and Trademark Act.

There was a case cleared in May by the Aichi and Chiba Prefectural Police where a criminal group formed of Chinese, Bangladesh, and Vietnamese sold forged certificate of alien registration to illegal immigrants and illegal residents in Japan, and concealed criminal proceeds by depositing a large sum of criminal proceeds, etc. into a bank account under the name of another person (Case 9). The leader of the group conducted money laundering technically by depositing his share of the proceeds into a bank account under the name of additional another person.

[Case 9] (Concealment of criminal proceeds, etc. related to forgery of official documents with a signature or seal)

A Chinese man, who was the leader of a criminal group formed of foreigners including Chinese, Bangladeshi and Vietnamese engaging in the illegal selling of forged alien registration certificates, managed the profits of selling of forged alien registration certificates, which were criminal proceeds, in multiple bank accounts exclusively for deposit, and deposited his own share of the proceeds of approximately 1.7 million yen into a bank account under another person's name and managed by him, from August 2008 to January 2009. The suspect was arrested for violation of the Act on the Punishment of Organized Crimes (charged with concealment of criminal proceeds, etc.).

(May, Aichi, Chiba Pref. Police)

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

In cleared cases of money laundering under the Anti-Drug Special Provisions Law in 2009, there were 5 cases related to concealment of drug-related criminal proceeds, etc. (Note) (5 less than the previous year) and 5 cases of receipt of drug-related criminal proceeds, etc. (3 more than the previous year). The accumulated total number of the cleared cases after 2000 is 64.

(Note) Drug-related criminal proceeds, etc. mean drug-related criminal proceeds, assets derived from the drug-related criminal proceeds or assets mixed these assets and other assets.

Table 6-2 Number of cleared cases of money laundering under the Anti-Drug Special Provisions Law

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
Concealment of drug-related criminal proceeds, etc. (Article 6)	2 (1)	3 (0)	0 (0)	8 (2)	5 (3)	3 (2)	5 (3)	5 (4)	10 (4)	5 (1)	46 (20)
Receipt of drug-related criminal proceeds, etc. (Article 7)	0 (0)	0 (0)	0 (0)	2 (2)	0 (0)	2 (2)	5 (2)	2 (1)	2 (1)	5 (3)	18 (11)
Total	2 (1)	3 (0)	0 (0)	10 (4)	5 (3)	5 (4)	10 (5)	7 (5)	12 (5)	10 (4)	64 (31)

*The numbers in brackets represent the number of cases conducted by Boryokudan members, etc. (known to the National Police Agency)

[Case 10] (Receipt of drug-related criminal proceeds, etc. related to trafficking of regulated drug by the designated Boryokudan)

Executive members of the Azuma-gumi, who managed trafficking of regulated drugs such as stimulant drugs, within part of the area of “Airin District” in Nishinari-ward, Osaka city as their territory, received total amount of 5.74 million yen as location fee from a trafficking group, knowing that they were part of the criminal proceeds derived from selling of the stimulant drugs, etc. in many times on the street within the area by the dealers of the group for the purpose of profit. The suspects were arrested for violation of the Anti-Drug Special Provisions Law (receiving of drug-related criminal proceeds, etc.).

(April, Osaka Pref. Police)

Section2 Deprivation of Criminal Proceeds

In order to prevent criminal proceeds from being used to maintain and expand 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 by the court order. To ensure that criminal proceeds are not concealed or spent before the order is given, the police use the system of a securance order for confiscation before the prosecution stipulated in the Act on the Punishment of Organized Crime and the Anti-Drug Special Provisions Law, and confiscate criminal proceeds effectively.

Paragraph 1 Confiscation and Collection of Equivalent Value under the Act on the Punishment of Organized Crime

1 Application of Provisions of Confiscation and Collection of Equivalent Value

The application of provisions of confiscation and collection of equivalent value under the Act on the Punishment of Organized Crime in general court procedures (first trials) is shown in the following Table 6-3.

Table 6-3 Statistics of the application of provisions of confiscation and collection of equivalent value under the Act on the Punishment of Organized Crime in general first trials

Year	Confiscation		Collection		Total	
	Persons	Amount	Persons	Amount	Persons	Amount
2004	15	69,610	22	500,773	37	570,383
2005	18	69,958	54	585,698	72	655,657
2006	27	150,406	75	1,869,842	102	2,020,248
2007	29	104,020	67	603,680	96	707,700
2008	40	335,721	79	560,791	119	896,512

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

Note 2: Units are in thousands of yen (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 duplicated amount.

2 Securance Order for Confiscation of Criminal Proceeds, etc. before Prosecution

Securance orders for confiscation before prosecution were issued 54 times (10 more than the previous year), in 2009, under the Article 23 of the Act on the Punishment of Organized Crime. The accumulated total number of the orders after the enforcement of the law is 159.

In each type of predicate offences of money laundering, there were 16 cases of running a gambling place for the purpose of profit and habitual gambling, 11 cases of fraud such as “Furikome” fraud, 7 cases of distribution of obscene material, etc., 5 cases of violation of the Prostitution Prevention Act, 3 cases each of loan sharking offences and violation of the Pharmaceutical Law, and 2 cases each of bribery and theft, 1 case each of violation of the Lawyers Act and Copyright Law, Trademark Act, Waste Disposal and Public Cleansing Law and Workers Dispatch Law. The number of orders in 2008 was more than double that of 2007, but in 2009 that number further increased above the 2008 figure. As one of the reason, it is understood that confiscation and collection of equivalent value of the crime victim property related to crimes such as “Furikome” fraud, loan sharking offences, theft, and acceptance of stolen properties, which had not been subjects to be confiscated or collected, are now available due to the enforcement of the amended Act on the Punishment of Organized Crime of December 1, 2006, and has been applied the provision of the Article 13, Paragraph 3 of the Act (confiscation of crime victim property). The system of a securance order for confiscation before prosecution under the Act on the Punishment of Organized Crime enables judicial police officers to deprive criminal proceeds as one of the effective measures. It is expected that the police, in good coordination with the public prosecutor’s office, will use the system effectively and prevent criminal organizations from using criminal proceeds, etc.

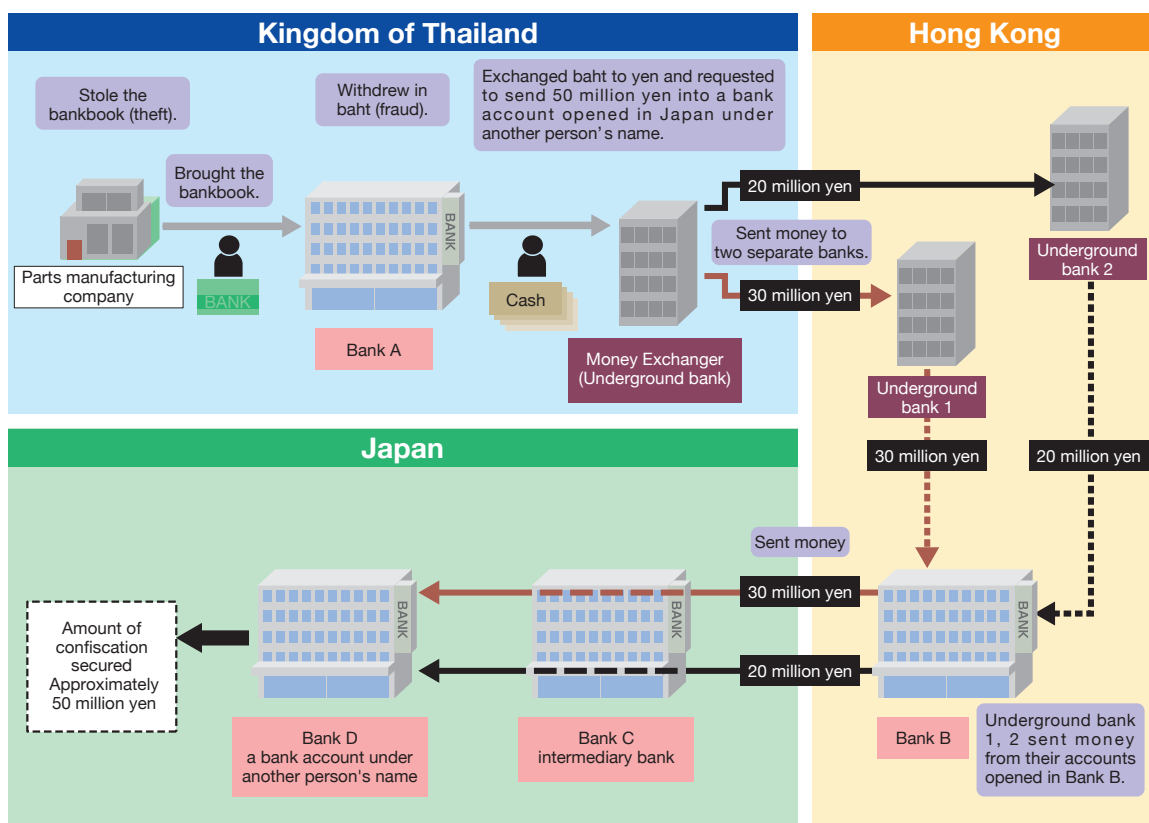
Moreover, the police should actively apply for a securance order for confiscation of crime victim property before prosecution and ensure the confiscation based on the order in order to contribute to the recovery of crime victim property by the public prosecutor under the “Act on the Provision of Compensation for Crime Victim Property, etc.”

In examples of cases of issued securance order for confiscation before prosecution, there were cases such as a case where the securance order was issued before prosecution for confiscation of crime victim property related to a theft / fraud as criminal proceeds, etc. which were derived from overseas crime and concealed through an underground bank in a bank account under another person’s name in Japan (Case 11), and a case where the securance order was issued before prosecution for confiscation of criminal proceeds, etc. related to violation of the Copyright Law which was delivering of Japanese TV programs to overseas countries through the Internet (Case 12).

[Case 11] (Securance order before prosecution for confiscation of criminal proceeds, etc. related to a theft / fraud in the Kingdom of Thailand)

A man working for a parts manufacturing company subcontracted by a major house equipment device company in the Kingdom of Thailand, stole bankbooks, etc. managed by the president of the company in the accounting office, withdrew cash from a bank in the Kingdom of Thailand using the stolen bankbooks on the same day, and exchanged approximately 50 million Japanese yen. The suspect sent the money to a bank account in Japan under another person's name and managed by him through an underground bank and a bank in Hong Kong. The securance order for confiscation of this bank account credit was issued before prosecution.

(May, Tokyo Metropolitan Police)



[Case 12] (Securance order before prosecution for confiscation of criminal proceeds, etc. related to violation of the Copyright Law)

A man and others, who provided services that Japanese TV programs were available to overseas clients via the Internet, without permission of TV stations, illegally delivered the programs on which the copyrights were protected by each TV station, and made the clients as registered members send 22 million yen as use fees to a bank account under the name of a related company in Japan. The securance order for confiscation of this bank account credit was issued before prosecution.

(July, Tokyo Metropolitan Police)

Table 6-4 Amounts and number of securance orders for confiscation of criminal proceeds, etc. before prosecution issued under the Act on the Punishment of Organized Crime

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
3 (1)	1 (1)	5 (4)	7 (3)	7 (5)	8 (0)	9 (3)	21 (7)	44 (21)	54 (23)	159 (68)

Note: The numbers in brackets represent the number of cases related to Boryokudan members, etc. (known to the National Police Agency)

Year	Total amount of credit	Other
2000	¥3,590,620	
2001	¥768,500	
2002	¥4,304,999	
2003	¥12,809,068	Land 6,600m ²
2004	¥12,079,511	
2005	¥564,953,561	
2006	¥52,680,512	
2007	¥268,801,546	
2008	¥314,239,728	
2009	¥270,188,760	Foreign currencies 750US dollars
Total	¥1,504,416,805	Land 6,600m ² , Foreign currencies 750US dollars

Paragraph 2 Confiscation and Collection of equivalent value under the Anti-Drug Special Provisions Law

1 Application of Provisions of Confiscation and Collection of Equivalent Value

The application of provisions of confiscation and collection of equivalent value under the Anti-Drug Special Provisions Law in general court procedures (first trials) is shown in the following Table 6-5.

Table 6-5 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
2004	75	357,944	329	1,999,941	404	2,357,885
2005	39	53,674	316	1,324,360	355	1,378,034
2006	62	79,264	373	1,740,761	435	1,820,025
2007	53	153,830	285	1,128,689	338	1,282,519
2008	61	93,695	362	1,391,545	423	1,485,240

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

Note 2: Units are in thousands of yen (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 duplicated amount.

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

2 Securance Order for Confiscation of Drug-related Criminal Proceeds, etc. before Prosecution

Securance orders for confiscation before prosecution were issued 8 times under the Anti-Drug Special Provisions Law in 2009. The accumulated total number of the orders after 2000 is 56.

Table 6-6 Amounts and number of securance orders for confiscation of drug-related criminal proceeds, etc. before prosecution issued under the Anti-Drug Special Provisions Law

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
2 (0)	4 (1)	7 (3)	8 (2)	5 (2)	8 (5)	3 (2)	4 (3)	7 (5)	8 (5)	56 (28)

Note: The numbers in brackets represent the number of cases related to Boryokudan members, etc. (known to the National Police Agency)

Year	Total amount of credit	Other
2000	¥17,555,489	
2001	¥7,856,074	
2002	¥305,619,061	
2003	¥47,839,109	
2004	¥67,440,983	
2005	¥92,619,024	
2006	¥10,432,915	
2007	¥45,032,829	
2008	¥23,344,267	
2009	¥29,215,674	
Total	¥646,955,425	

[Case 13] (Securance order before prosecution for confiscation of drug-related criminal proceeds, etc. related to trafficking of stimulant drugs by the designated Boryokudan members)

The leader and other members of a group affiliated with Alzu-kotetsu-kai conducted organizational trafficking of stimulant drugs, at least between September 2006 and November 2008, and obtained at least 93 million yen of drug-related criminal proceeds. After the suspects were arrested for violation of the Stimulants Control Act (transfer for the purpose of profits, etc.), the securance order was issued before prosecution for confiscation of cash estimated as the drug-related criminal proceeds derived from the trafficking of stimulant drugs (approximately 3.09 million yen) and the bank account under the name of the suspects who managed the proceeds (balance approximately 8.93 million yen).

(February, Kyoto, Aichi, Shiga, Pref. Police)

