

Japan Financial Intelligence Center(JAFIC) **Annual Report** [2013]



Introduction

For years, it has been a major challenge for us to tackle the dispersal of criminal proceeds in the fight against organized crime, especially that committed by *boryokudan* and other groups. The Police, at this juncture, is dedicated to working on AML/CFT in accordance with the Act on Prevention of Transfer of Criminal Proceeds together with relevant authorities, the private sector, and foreign FIU partners.

Under the Act on Prevention of Transfer of Criminal Proceeds, specified business operators are required to perform customer due diligence (CDD) and record-keeping, and file suspicious transaction reports (STRs) with a competent administrative authority. These STRs are collected, organized, and analyzed by the National Police Agency, which administers the mandate granted to the National Public Safety Commission on its behalf, and will then be disseminated to law enforcement agencies to support their investigations.

The amended Act on Prevention of Transfer of Criminal Proceeds, which was fully enforced in April 2013, put in place a more comprehensive CDD regime, and at that time a business becoming vulnerable to misuse, “the call forwarding business,” was added to the list of designated non-financial businesses or professions to put under the regime. Thus, the AML/CFT regime in Japan has been significantly strengthened.

In this globalized world, however, the international financial system has become much more exposed to the risk of misuse for the purpose of money laundering taking place across borders or in very sophisticated ways. The Financial Action Task Force (FATF), therefore, amended the 40 Recommendations in February 2012, calling upon all jurisdictions around the world to follow the more stringent standard. In this context, a strong commitment to compliance with the FATF standards was expressed by G8 leaders when they met in Lough Erne in June 2013, by their adoption of the “G8 Action Plan Principles to prevent the misuse of companies and legal arrangements,” in an effort to mitigate the risk of legal persons or arrangements being misused for money laundering, tax evasion, or other illicit purposes. Japan’s AML/CFT regime also needs to be further developed from a wider perspective by keeping abreast of domestic or international ML/TF trends, and also hearing inputs or opinions from various parties.

What is imperative for achieving the challenge is that law enforcement agencies strategically take measures in cooperation with the private sector from the viewpoint of global cooperation and coordination. This will never be possible unless we gain broad public support and understanding.

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

(Note)

All administrative work to implement the Act on Prevention of Transfer of Criminal Proceeds is undertaken by the Japan Financial Intelligence Center (JAFIC), which serves as Japan’s FIU.

February, 2014

國枝 治男

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Legend

1 Abbreviations for laws

Abbreviations for laws are as follows.

[Abbreviation]	[Law]
Anti-Drug Special Provisions Law	Law concerning Special Provisions for the Narcotics and Psychotropics Control Law etc. and Other Matters for the Prevention of Activities Encouraging Illicit Conduct and Other Activities Involving Controlled Substances through International Cooperation (Act No. 94 of 1991)
Act on Punishment of Organized Crimes	Act on Punishment of Organized Crimes and Control of Crime Proceeds (Act No. 136 of 1999)
Act on Punishment of Financing of Offences of Public Intimidation	Act on Punishment of the Financing of Criminal Activities for the Purpose of Intimidation of the General Public and of Governments (Act No. 67 of 2002)
Customer Identification Act	Act on Customer Identification by Financial Institutions, etc. (Act No. 32 of 2002)
Amended Customer Identification Act	Act on Confirmation of Customers Identification by Financial Institution, etc. and Prevention of Unauthorized Use of Deposit Account, etc. (Act No. 32 of 2002)
Immigration Control Act	Immigration Control and Refugee Recognition Act (Cabinet Order No. 319, 1951)
Amusement Business Act	Act on Control and Improvement of Amusement Business, etc. (Act No. 122 of 1948)
Worker Dispatching Act	Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers (Act No. 88 of 1985)

2 Abbreviations for conventions, etc.

Abbreviations for conventions, etc. are as follows.

[Abbreviation]	[Conventions, etc.]
UN New Narcotics Convention	United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Convention No. 6 of 1992)
G8 Action Plan Principles	G8 Action Plan Principles to prevent the misuse of companies and legal arrangements (Agreed at G8 Summit in Lough Erne in June 2013)
Japan Action Plan	Japan Action Plan to prevent the misuse of companies and legal arrangements (Announced by the Ministry of Finance in June 2013)

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Chapter 1

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

Money laundering refers to the process of concealing sources of money generated through illicit ways, especially criminal proceeds. If effective measures are not taken against money laundering, criminal proceeds continue to be utilized for further crimes, and organized crimes or terrorism become rife. Money laundering also could pose serious threats to sound economic activities. Therefore, in order to ensure the safety and peace of national life, and integrity and development of the international financial system, it is critical to take positive steps for AML/CFT.

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

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

Section 1 AML/CFT Efforts in the International Community

1 Anti-Money Laundering as a Countermeasure against Narcotic Drugs

Through the 1980s, the global spread of narcotics abuse was taken as a crisis in the international community, prompting a variety of initiatives from different angles to address the issue. One of the main causes was the existence of illegal transactions by transnational drug-trafficking organizations linking production of narcotics to the consumption of them. It was recognized as important to inflict damage on the source of their funds, by all measures, such as confiscating illegal proceeds from drug manufacturing and trafficking and effectively preventing their money laundering activities. In this context, the UN New Narcotics Convention was adopted in December 1988 and required each state to criminalize activities such as hiding drug crime proceeds and to establish relevant regulations to confiscate such proceeds, which made clear an internationally consistent effort.

In addition, at the Arch Summit in July 1989, in order to deepen international cooperation on money laundering initiatives related to drug crimes, the major developed countries decided to establish the FATF. In April 1990, urged by the need for standardizing measures in differ-

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

2 Anti-Money Laundering as a Countermeasure against Organized Crime

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

Further, at the Birmingham Summit in May 1998, it was agreed by the participating countries to create an FIU (Financial Intelligence Unit) in each country, which are dedicated to collecting, arranging, and analyzing money laundering information, and to disseminating the information to investigative authorities as a measure to utilize the suspicious transaction reports for criminal investigation effectively. Egmont Group, established in 1995 as a forum for exchanging information between FIUs, defines an FIU as a “central, national agency responsible for receiving, 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 terrorist financing”.

3 Countermeasures Against Terrorist Financing

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

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

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

national standard for fighting terrorist financing. 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”.

4 Countermeasures Against Changing Money Laundering Trend

In accordance with development of anti-money laundering measures, the trend of money laundering itself has also 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 in June 2003 “The 40 Recommendations,” extending the scope of operators required to implement the Recommendations to designated non-financial businesses and professions (DNFBPs). Furthermore, in February 2012, the revised International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation (The FATF Recommendations) were adopted and fully integrated the counter-terrorist financing measures (9 Special Recommendations) with the anti-money laundering measures (40 Recommendations) and include counter-financing of proliferation measures. The Recommendation also tightened the requirements on politically exposed persons in order to take measures to combat corruption.

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

Section 2 AML/CFT in Japan

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

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

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

The first FATF mutual evaluation of Japan in 1994 recommended remedial actions to be taken for the limited scope of predicate offences for money laundering that had targeted only drug crimes. As a practical matter, it was extremely difficult for reporting entities to determine if each transaction was actually related to drug crimes in reporting suspicious transactions, resulting in fewer suspicious transaction reports. Another reason for this ineffective-

ness was that there was no system in place to collect reported information or to disseminate it to investigative authorities.

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

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

As a major development after the terrorist attacks in US, “the Act on the Punishment of Financing of Offences of Public Intimidation” was enforced in July 2002 as a domestic law to implement “the International Convention for the Suppression of the Financing of Terrorism” (not yet ratified at that time), criminalizing terrorist financing and collecting of funds for terrorism. At the same time as the adoption of “the Act on Punishment of Financing Offences of Public Intimidation”, “the Act on Punishment of Organized Crimes” was partially revised, so that the terrorist financing/fund collection offence was included in predicate offences. Moreover, terrorist funds were stipulated as criminal proceeds, which means that assets suspected of terrorist funds are now subject to reporting as suspicious transactions.

Also, to implement the obligations of customer identification and record keeping required under the said Convention and the Recommendations, “the Act on Customer Identification by Financial Institutions (Customer Identification Act)” was adopted (enforced in Jan. 2003).

Because of frequent abuse of bank accounts under other or fictitious names for offences such as Billing Fraud, the Customer Identification Act was revised in December 2004 to provide sanctions to transfer (both receiving/assignment) of passbooks.

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

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

to the relevant business sectors over STRs regime.

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

Following the G8 Action Plan Principles, Japan also expressed its strong commitment to it by announcing the Japan Action Plan in June 2013, according to which necessary actions including the national risk assessment of money laundering and terrorist financing should be undertaken.

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

Figure 1-1 History of AML/CFT Measures

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

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

1 Background

As the scope of business subject to the preventive measures of money laundering and terrorist financing was extended by the Act on Prevention of Transfer of Criminal Proceeds besides financial institutions etc. to include designated non-financial businesses and professions (DNFBPs) such as real estate agents, dealers in precious metals and stones, and other business operators, it was determined that the National Police Agency should play the role of FIU given the facts that:

- the business operators subject to these obligations, and the type of business of these operators, no longer falls under the jurisdiction of the Financial Services Agency alone;
- the National Police Agency plays a major role in countering the boryokudan and other organized crime syndicates and in countermeasures against terrorism, and is better equipped to accurately analyze information.

The Act on Prevention of Transfer of Criminal Proceeds clarified that the National Public Safety Commission (NPSC), which exercises administrative supervision over the National Police Agency and is aided by it, is responsible for prompt and appropriate collection, arrangement, analysis, and dissemination of suspicious transaction reports (STRs) filed by specified business operators. The Act also granted the NPSC a function related to the handling of STRs including its dissemination to foreign FIUs as well as a function to complement supervisory measures against specified business operators. The Japan Financial Intelligence Center (JAFIC) was launched on April 1, 2007, within the Organized Crime Department, the Criminal Investigation Bureau of the National Police Agency, as Japan's new FIU to perform all these functions on behalf of NPSC, in tandem with the partial enforcement of the Act.

2 Mission and Structure

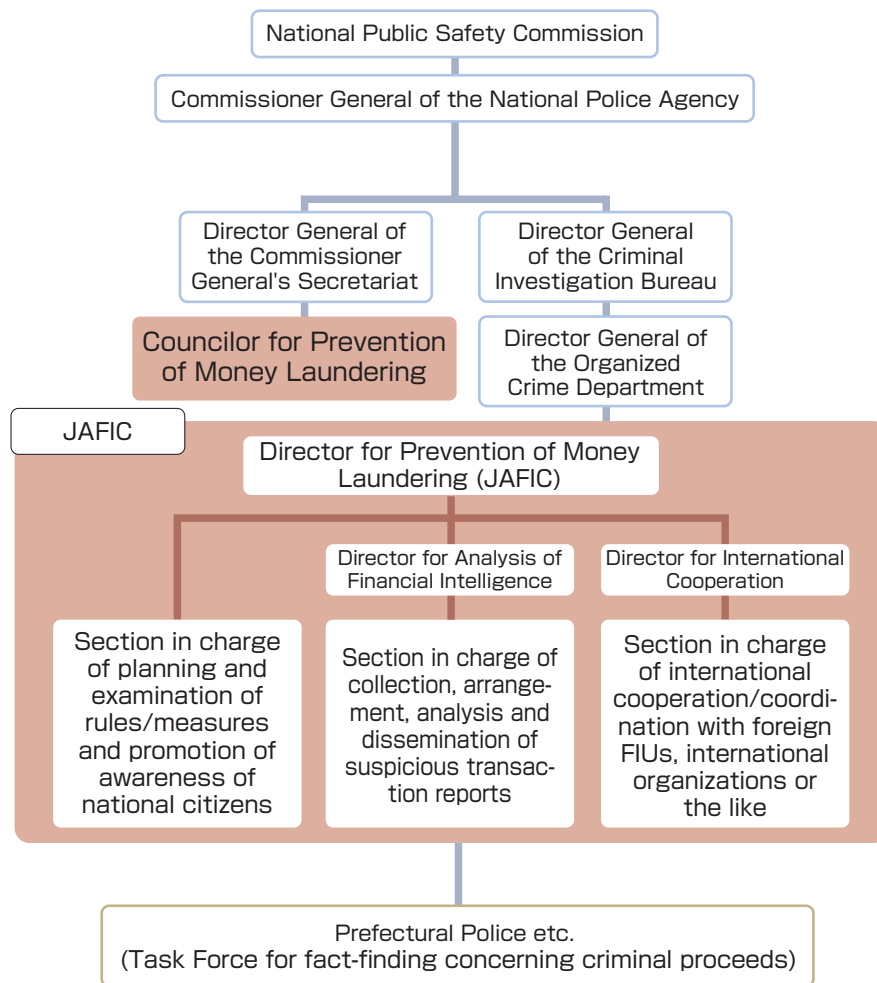
JAFIC is tasked with the following works in accordance with the Act on Prevention of Transfer of Criminal Proceeds.

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

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

The structure of JAFIC is illustrated in Fig. 1-2. It is currently composed of about 100 em-

Figure 1-2 Structure of JAFIC



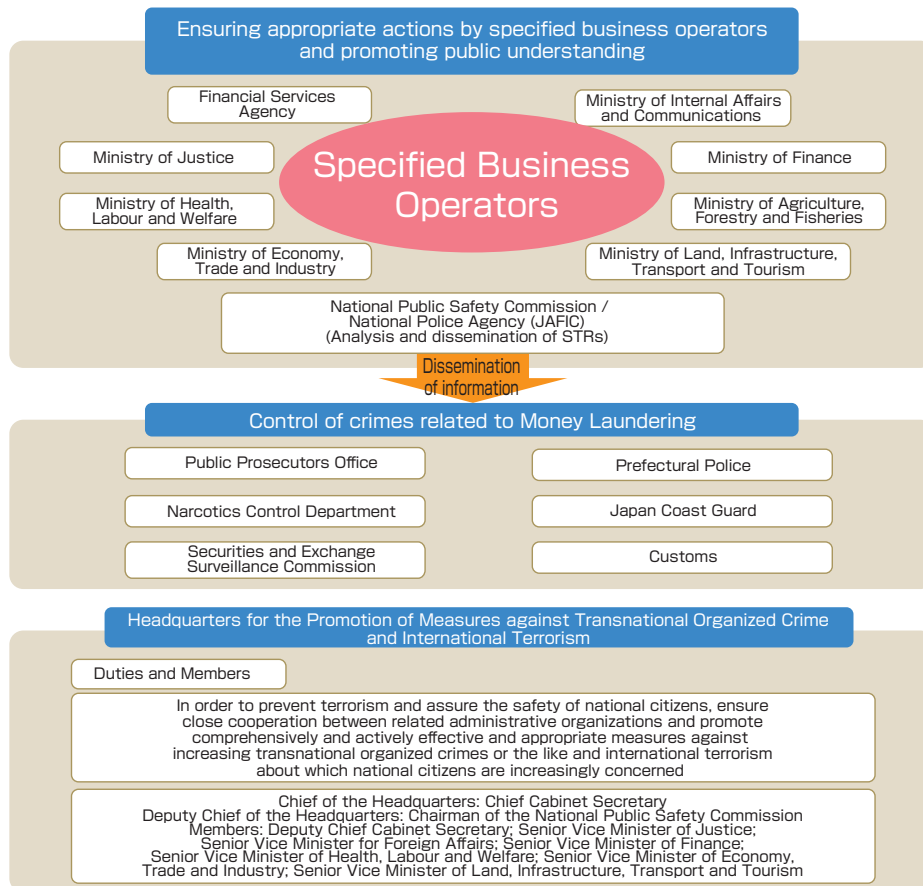
employees under the Director for Prevention of Money Laundering.

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

3 Partners

While it is specified business operators to take responsibility for actual implementation of anti-money laundering measures according to the Act on Prevention of Transfer of Criminal Proceeds, JAFIC In addition to the collection, arrangement, analysis and dissemination of financial information, endeavors to get across knowledge or expertise it has accumulated with regard to Current money laundering thechi gues, methods and trends or legal systems and relevant countermeasures to support their AML/CFT efforts as well as better understanding of the general public. Relevant ministries and agencies in charge of supervising business operators not only exercise the supervisory function to secure the fulfillment of obligations, but also provide support by issuing Lists of Reference Cases of Suspicious Transactions and holding seminars together with industry organizations. On the other hand, investigative au-

Figure 1-3 Anti-money Laundering Measures in Organization



thorities such as police, make contributions in the area of punishment of money laundering or predicate offences or confiscation of their proceeds.

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

The “Ministerial Meeting Concerning Measures against Crime” which was launched by a Cabinet Meeting Agreement in September 2003, frequently discusses anti-money laundering measures. 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 International Terrorism” was established in a Cabinet Meeting in August 2004.

4 Guideline for Promotion of the Criminal Proceeds Control

With an awareness of importance damaging the financial bases of criminal organizations, the police have been promoting countermeasures against criminal proceeds by, among others, cracking down on illegal acts and other fund raising activities undertaken by Boryokudan. The Act on the Prevention of Transfer of Criminal Proceeds is expected to make these countermeasures more effective with the cooperation of a wide range of business operators

who may deal with criminal proceeds. The National Police Agency, playing a central part in enforcing the act, issued “the Guideline for Promotion of the Criminal Proceeds Control” with the notice of the Deputy Commissioner General of the National Police Agency in April 2007 with a view to enhancing countermeasures against criminal proceeds taken by police departments across the country

Fundamental items in carrying out measures against criminal proceeds indicated by “the Guideline for Promotion of the Criminal Proceeds Control” are composed of four core principles, six key areas and confidentiality of STR information as follows:

1 Core Principles for AML/CFT

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

2 Key areas

- (1) Arrangement of the system for the promotion of countermeasures
The National Police Agency and each prefectural police should develop a system necessary for countermeasures against criminal proceeds. Each prefectural police establish a Task Force for fact-finding concerning criminal proceeds and develop the investigation system for crimes related to criminal proceeds in each relevant division.
- (2) Promotion of voluntary efforts by specified business operators and public awareness
The National Police Agency should provide information on the transfer of criminal proceeds, instruction and advice to specified business operators. The National Police Agency and each prefectural police force should conduct public relations and educational activities to deepen general understanding about importance of criminal proceeds control.
- (3) Collection, arrangement and analysis of information on criminal proceeds
The National Police Agency should collect, arrange, analyze and disseminate information on criminal proceeds. Each prefectural police should collect the information necessary for effective countermeasures against criminal proceeds by maintaining close cooperation among relevant divisions.
- (4) Promotion of countermeasures against criminal proceeds
The National Police Agency should provide instruction to and coordinate among prefectural police departments which investigate crimes related to criminal proceeds, as well as clarify actual conditions of criminal organizations etc. In order to cut off the source of funds for criminal organizations etc., each prefectural police department should promote investigation where STRs are utilized, and attempt to make arrests in a proactive manner by applying the Act on Punishment of Organized Crimes, the Anti-Drug Special Provisions Law and other laws, while it should also promote information collection activities.

(5) Promotion to deprive Criminal Proceeds

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

(6) Promotion of international cooperation

The National Police Agency should take initiative in the areas of, for example, inter-FUI information exchange, compliance with the FATF Recommendations, and support the global compliance in an effort to enhance international cooperation on AML/CFT.

3 Confidentiality

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

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



Chapter 2

Legislative Regime on AML/CFT

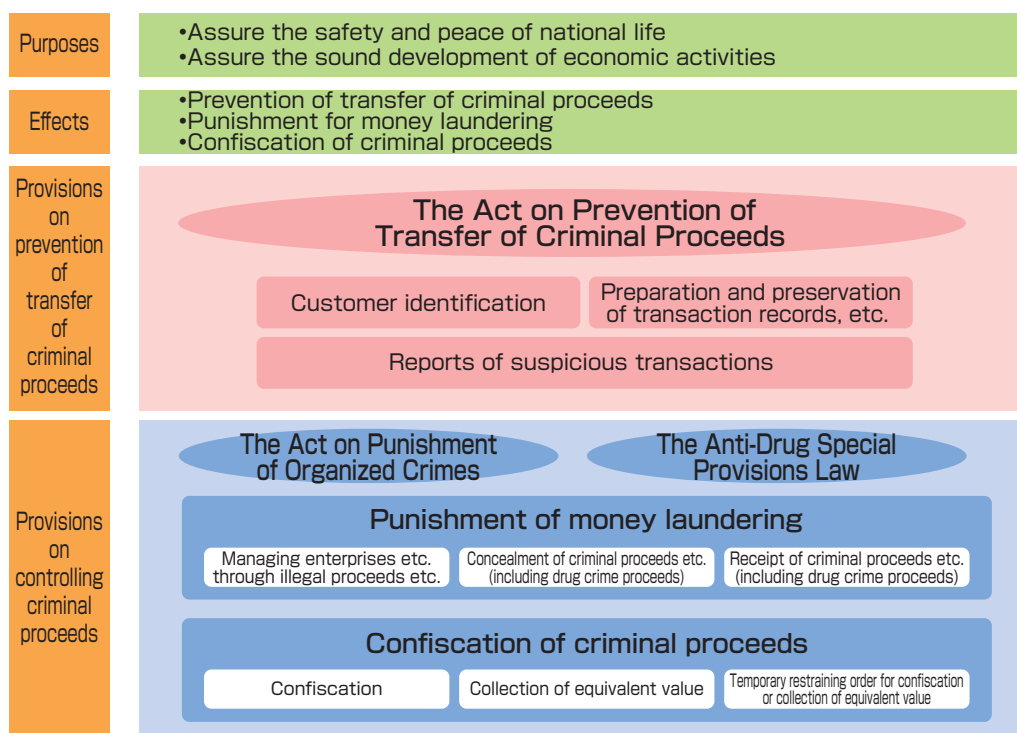
AML/CFT regime in Japan has been developed since the 1980s, in order to achieve the following three objectives:

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

Of these, (1) and (2) are primarily targeting criminal organizations to root out their sources of fund while (3) is intended to put in place preventive measures against money laundering in order to ensure the traceability and transparency of customers on which investigations for prosecution or confiscation can also rely.

(1) and (2) above are realized mainly by the Anti-Drug Special Provisions Law and the Act on Punishment of Organized Crimes, while (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 Punishment of Organized Crimes, and the Anti-Drug Special Provisions Law



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

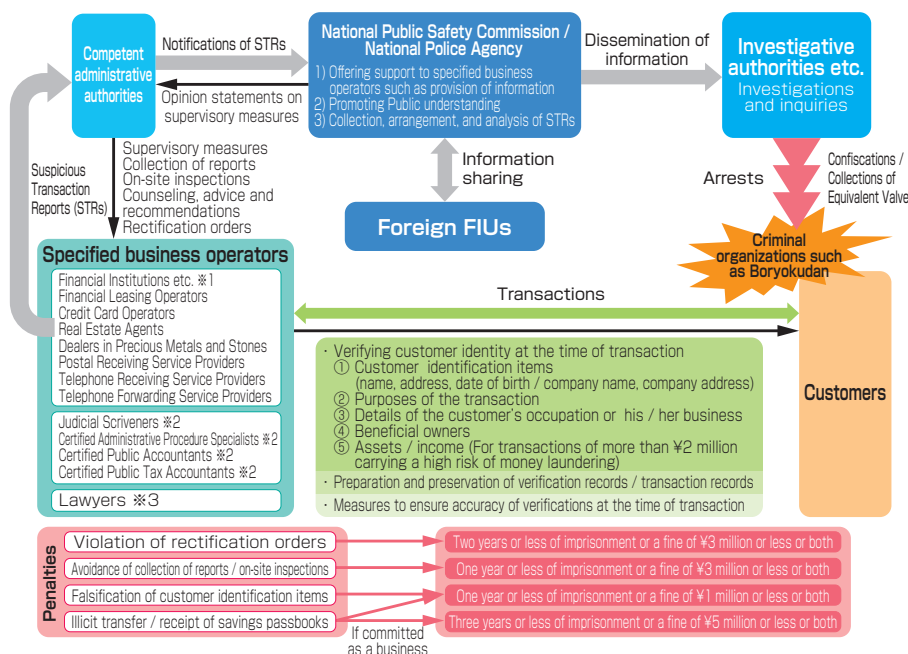
The Act on Prevention of Transfer of Criminal Proceeds was created based on the two laws; the amended Customer Identification Act and a portion of the Act on Punishment of Organized Crimes in order to deal with changes in money laundering techniques more effectively and comprehensively in a way consistent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

The Act provides for preventive measures in combating money laundering and terrorist financing, by imposing obligations on specified business operators to perform CDD, record keeping, filing STRs, etc. In 2011, the following amendments were made to the Act for the first time since it was enacted in 2007: addition of verifying details for transactions; addition of telephone forwarding service providers to the list of specified business operators; addition of measures for accurate verification at the time of transactions; and increased punishments on illicit transfer of passbooks, etc. The amended Act was fully enforced on April 1, 2013.

The following a few sections will explain the important parts of the Act.

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

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



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

1 Purpose of the Act (Article 1)

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

2 Criminal Proceeds (Paragraph 1 of Article 2)

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

3 Specified Business Operators (Paragraph 2 of Article 2)

Any financial institution or DNFBP which falls under the Act and thus is required to perform CDD and other obligations, should be called “Specified business operator,” whose designation would occur in line with the FATF standards and also the domestic business context. At the time when the Act was enforced, nevertheless, it had already been put in place that financial institutions performed customer identification under the Customer Identification Act and its related regulations.

Specified business operators

○Financial institutions (Item 1 through 36):

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 special business operators; 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 37)

○Credit card operator (Item 38)

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

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

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

5 Measures by Specified Business Operator

Under the Act, specified business operators are obligated to engage in the following matters.

Specified business operators, specified business affairs subject to obligations, specified transactions subject to the verification at the time of transaction, and related obligations are shown in Figure 2-1.

(1) Verification at the time of transaction (Article 4)

In conducting transactions falling under "specified transactions" or whenever money laundering is suspected behind the transactions because of, for example, a suspicion of falsifying the purpose of transaction, specified business operators are required to perform CDD to verify identification data of a customer such as: the name and domicile by asking for his/her identification documents such as driver's license; purpose and intended nature of the transaction: type of business; information on the beneficial owner; etc. (for professions such as judicial scriveners, administrative scriveners, certified public accountants and tax accountants, verification of identification data alone is applicable).

For higher risk transactions, enhanced measures must be taken, which is requiring additional information as to assets/income of the customer. (For details, see the Japan Financial Intelligence Center (JAFIC) Website)

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

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

Prepare and keep records of verification records collected at the time of transaction, as well as measures taken for verification of the customer at the time of the transaction, for seven years from the day when the transactions were completed or terminated;

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

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

(4) Reporting of suspicious transactions (Article 8)

Report transactions that are suspected of being related to criminal proceeds to a competent administrative authority, except for professions such as judicial scriveners;

(5) Notification pertaining to foreign exchange transactions (Article 9)

In conducting exchange transactions pertaining to payment from Japan to foreign countries, 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 to ensure thorough and effective CDD measures to be taken (Article 10)

Specified business operators are required to perform on going due diligence, and to set up other systems as necessary.

(7) Measures by lawyers (Article 11)

It is established by special provision, that lawyers shall conduct measures relevant to those described in (1) through (3) and (6) above based on The Rule of the Japan Federation of Bar Associations in line with cases of judicial scrivener.

The CDD regime in which measures as described in (1) through (3) above are undertaken is intended to make the financial or other services less attractive to those who try to use them for money laundering or any other illicit purposes and to ensure traceability of illicit funds. Meanwhile, the STR regime as described in (4) in which reported information will be used for investigations into money laundering and/or predicate offences, is also intended to protect the financial system from misuse to ensure its soundness. Measures (as noted in (6)) are intended to ensure accuracy of the customer identification process during transactions, making the process more efficient. These measures are expected to help business operators be more aware of money laundering risks, facilitating a greater degree of comprehensiveness and efficiency.

The purpose of notification pertaining to foreign exchange transactions described in (5)

Table 2-1 State of Correspondence of Specified Business Operators, Specified Business Affairs, Specified Transactions, and Obligations

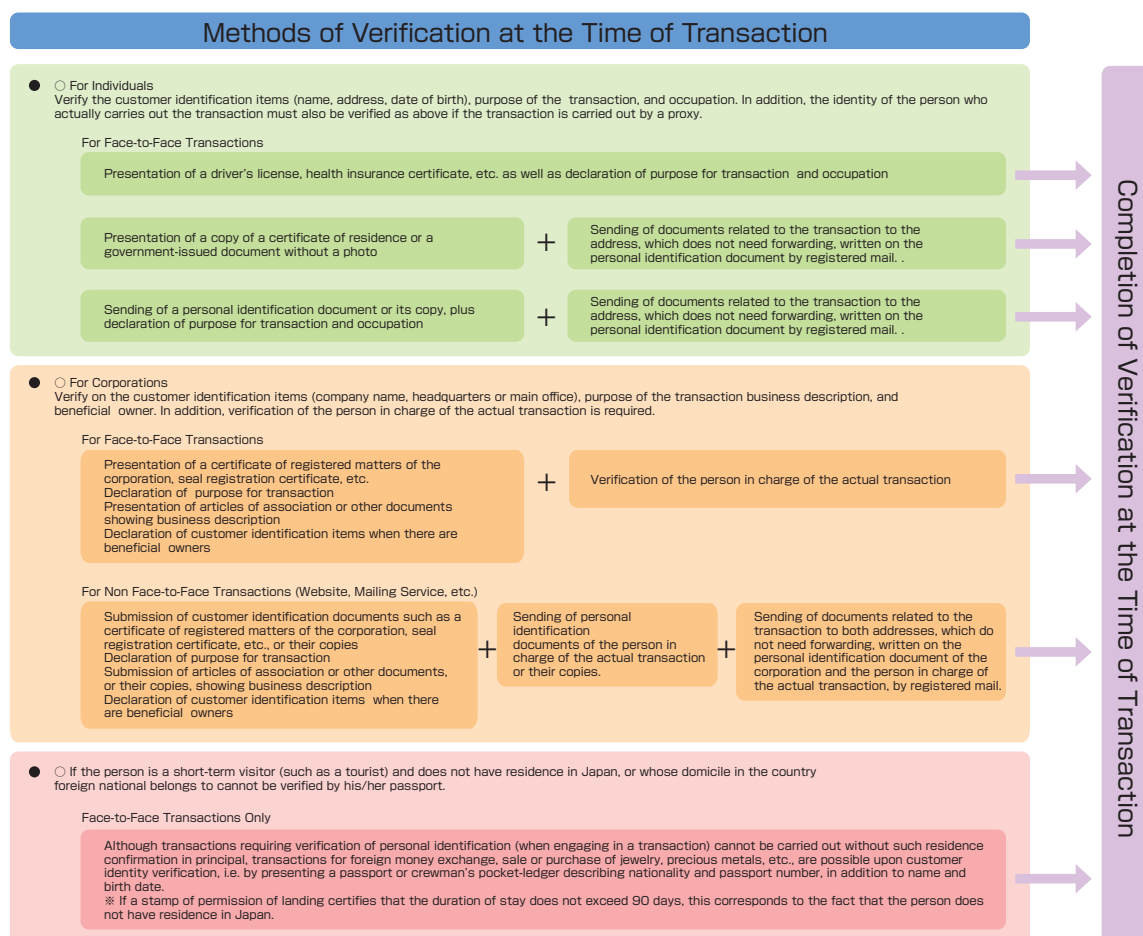
Specified Business Operators (Paragraph 2 of Article 2)	Specified Business Affairs (Scope subject to obligations)	Specified Transactions (Verification required during transactions) (See Note 1)	Obligations
Financial Institutions etc. (Items 1 through 36)	Business affairs conducted by financial institutions, 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.	<ul style="list-style-type: none"> · Verification at the time of transactions (Article 4) · Preparation and preservation of verification records (Article 6) · Preparation and preservation of transaction records (Article 7) · Reporting of suspicious transactions (Article 8) · Measures to ensure accurate verification at the time of transactions (Article 10) (See Note 2)
Financial Leasing Operators (Item 37)	Financial leasing business affairs (limited to transactions which cannot be terminated earlier than the end of a contract, and to cases where the lessor enjoys the benefit associated with use of leased product and bears the cost)	Conclusion of lease contracts of goods whose lease fee exceeds 100,000 yen per payment	
Credit Card Operators (Item 38)	Credit card business affairs	Conclusion of contracts for the delivery or issuance of a credit card	
Real Estate Agents (Item 39)	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 (Item 40)	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 (Item 41)	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 (Item 41)	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.	
Telephone Forwarding Service Providers (Item 41)	Telephone forwarding services Business affairs for providing a service of forwarding telephone on behalf of a customer.	Conclusion of contracts for the provision of service	<ul style="list-style-type: none"> · Verification at the time of transactions (Article 4) (See Note 3) · Preparation and preservation of verification records (Article 6) · Preparation and preservation of transaction records (Article 7) · Measures to ensure accurate verification at the time of transactions (Article 10)
Judicial Scriveners (Item 43) Certified Administrative Procedures Specialists (Item 44) Certified Public Accountants (Item 45) Certified Public Tax Accountants (Item 46)	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.	
Lawyers (Item 42)	The Japan Federation of Bar Associations defines, in its bylaws, measures to ensure accurate verification on transactions, and preparation/preservation of verification records and transaction records by lawyers. These rules are based on examples of judicial scriveners etc. contained in the Act on Prevention of Transfer of Criminal Proceeds. (Article 11)		

Note 1: Excludes transactions with customers whose identifications have already been verified, except in cases where identity theft is suspected.

Note 2: Amongst financial institutions, those operators involved in foreign exchange are required to provide notification on remitters. (Article 9)

Note 3: Professionals such as judicial scriveners, certified administrative procedures specialists, certified public accountants, and certified tax accountants are required to verify customer identification items only.

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



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

6 Dissemination of STR Information (Articles 12 and 13)

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

7 Supervision (Articles 14 through 18, 24, 25 and 29)

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

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

lates rectification order shall be punished with imprisonment with labor for not more than two years or a fine of not more than three million yen or both.

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

8 Penal Provisions regarding Reception/Delivery/Provision of Deposit/Savings Passbooks and Exchange Transaction Cards(Articles 27 and 28)

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

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

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

Paragraph 1 Anti-Drug Special Provisions Law

The Anti-Drug Special Provisions Law was enacted for the purpose of blocking cycles of illegal proceeds derived from drug crimes, directly triggered by the UN New Narcotics Convention adopted in 1988 and the FATF “40 Recommendations” compiled in 1990, and enforced in July 1992. This law contains two items with regard to measures against drug crime proceeds as below.

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

1 Criminalization of Money Laundering

The Anti-Drug Special Provisions Law for the first time criminalized the act of money laundering given the fact that money laundering had helped further crimes.

(1) 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.

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

The act of “knowingly receiving drug crime proceeds etc.” is criminalized by this article.

An act in which a main member of Boryokudan group receives money from those who works under him, knowing that the money has been obtained from drug crime, is an example of this case.

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.

Paragraph 2 The Act on Punishment of Organized Crimes

The Act on Punishment of Organized Crimes was enacted in tandem with the extension of predicate offences in the revised FATF “40 Recommendations” of 1996 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 to those and certain other serious crimes.

The regulations related to the functions of FIU initially existed in the Act on Punishment of Organized Crimes, but they are now superseded by the Act on Prevention of Criminal Proceeds.

1 Punishment of Money Laundering (Article 9 through 11)

According to the Act on Punishment of Organized Crimes, 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. by using illicit proceeds shall be punished as another type of money laundering. The range of predicate offences that generate criminal proceeds is stipulated in the attachment to the Act on Punishment of Organized Crimes, to which additional predicate offences are added as necessary.

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 the Act on Punishment of Organized Crimes 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, seurance measures have been established, and so on.

At the time of the enactment of the Act on Punishment of Organized Crimes, it was stipulated that so-called "crime victim property", such as proceeds obtained through crime concerning property etc. may not be confiscated nor additional collections made in consideration of damage claims by victims. However, the law was partially revised (enforced in Dec. 2006) to enable confiscation or additional collection in certain cases for example where the crime is considerably organized in which it would be difficult to recover damages asserting rights to seek damages or other rights, or where money laundering is involved.

Section 3 Recent Legislative Changes

In order to address the current money laundering trends the National Police Agency has made necessary amendments as appropriate to the Act on Prevention of Transfer of Criminal Proceeds and its subordinate decrees.

1 Amendment of the Act on Prevention of Transfer of Criminal Proceeds to include a new type of business which has been defined by the amendment to the Real Estate Specified Joint Enterprise Act

In December 2013, the Act on Prevention of Transfer of Criminal Proceeds was partially amended following the enforcement of the Act to Partially Amend the Real Estate Specified

Joint Enterprise Act (hereinafter referred to as the “Amended Act”). As a result of the enforcement of the Amended Act, it has become possible for corporations which plan to engage in real estate specified joint enterprise and which meet certain conditions, such as engaging exclusively in real estate specified joint enterprise, to conduct business as special business operators if they report to the authorities, without obtaining a license for a real estate specified joint enterprise operator. However, the special business operators are not different from real estate specified joint enterprise operators which are treated as specified business operators under the Act on Prevention of Transfer of Criminal Proceeds in that they conduct business based on real estate specified joint enterprise contracts concluded with investors. Therefore, the Act on Prevention of Transfer of Criminal Proceeds was amended so as to include the special business operators in the scope of specified business operators, thereby subjecting them to such obligations as reporting suspicious transactions and identifying customers preparing and preserving transaction records.

2 Consultation with the Advisory Panel of Experts on AML/CFT

The Advisory Panel of Experts on AML/CFT has met five times from June to December in 2013 to discuss about better ways for AML/CFT from wider perspectives of academics and various fields of business. They were asked for advice with regard to the renewed regime to be proposed by the government with a view to addressing outstanding issues in relation to MER of the FATF.

Chapter 3

Efforts of Specified Business Operators and Promotion of Public Awareness

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

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

Section 1 Efforts of Specified Business Operators

1 Banking Industry

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

2 Shinkin Banks (Credit Unions)

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

2005), the goal of which is the “severance of relationships with anti-social forces”, representing efforts to observe laws and ordinances related to the prevention of money laundering and to eliminate transactions made by Boryokudan and other anti-social forces.

On the issue of countermeasures against money laundering, the Association has compiled and disseminated a guidebook entitled “Preventing Financial Crimes and Issues at the Teller’s Window.” The guidebook is designed as study material, providing correct knowledge for tellers on how to verify customer identity and report suspicious transactions based on the Act.

In addition, regarding the preparation of exclusionary clauses on the Boryokudan in relevant sectors, the Association has concluded various agreements incorporating such clauses as those on financial trading and deposit transactions. Cooperative financial institutions have also advanced the alteration of their Articles of Incorporation. They have taken up an independent initiative in 2012 to partially revise their Articles of Incorporation to eliminate any anti-social activity from capital contributing members.

3 Credit Cooperatives

In Japan, all credit cooperatives are members of the National Central Society of Credit Cooperatives (NCSCC). To ensure that countermeasures against money laundering, etc., are implemented, NCSCC compiles and gives examples of how to verify customer identity and of procedures concerning suspicious transaction reports, and also provides the members such information by holding briefing sessions and training sessions. Furthermore, NCSCC compiles posters and leaflets – which are available from the NCSCC website – to inform members about the customer due diligence procedure, distributing these to member cooperatives. NCSCC also takes thorough steps against money laundering and terrorist financing and on information sharing within the credit cooperative industry, for example by informing members of parties subject to asset freezing as part of countermeasures against terrorist financing.

4 Life Insurance Industry

The Life Insurance Association of Japan (LIAJ), of which all domestic life insurance companies in Japan are members, works to achieve appropriate operations amongst its member companies by incorporating countermeasures against money laundering anti-social forces in its Code of Conduct.

LIAJ has compiled the “Countermeasures Against Money Laundering and Terrorist Financing Handbook” and the “Countermeasures Against Money Laundering and Terrorist Financing FAQs” for both executives and regular employees, thereby assisting member companies in their efforts. In addition, LIAJ also devises posters and posts important points pertaining to the subject on its website.

To address the issue of anti-social forces, LIAJ has devised a directive entitled “Guidelines for Coping with Anti-social Forces in the Life Insurance Industry.” With a view to dissolving insurance contracts of parties found to be anti-social forces or that are engaged with anti-social forces in a manner unacceptable to society, the LIAJ has compiled reference material for member companies entitled “Insurance Contract Rules and Regulations Regarding

Anti-social Forces”. In addition, the LIAJ works with the police and other external specialized institutions, creates industry databases on anti-social forces, and takes other necessary steps.

5 Non-Life Insurance Industry

As for the non-life insurance industry, with a view to preventing money laundering and terrorist financing, verification of customer identity procedures regarding savings-type insurance or large cash transactions exposed to a high risk of money laundering and terrorist financing have been implemented since 1990. The General Insurance Association of Japan has acted on an industry-wide basis to draw up procedures related to customer identification as well as joint creation of posters for use in store locations. The Association has also compiled a letter to inform its agencies, which constitute the main channel for the sale of non-life insurance, of the issue.

In addition, in response to the revision of the Act on Prevention of Transfer of Criminal Proceeds, the Association has compiled and distributed a set of Administrative Reference Materials for the members, in order to facilitate uniform and comprehensive verification of transactions and preparation/preservation of verification records. Moreover, as part of an effort to help customers better understand the process, the Association has set up a special page on its website, targeting general consumers, as well as compiled leaflets to be handed out to customers, both detailing additional items to be verified when a customer makes a transaction.

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

6 Securities Industry

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

Moreover, relevant organizations such as securities companies, the Japan Securities Dealers Association, the Stock Exchange, the Financial Bureau, Prefectural Police, the Prefectur-

al Center for Elimination of Boryokudan and the Bar Association established the “Securities Police Liaison Council” in each prefecture, and have improved the effectiveness of the elimination of anti-social forces from the industry and of the prevention of money laundering, etc., through information exchange of the field level and seminars.

Additionally, the Japan Securities Dealers Association established the “Securities Safety Measures Support Center” in March 2009. It is registered as organization for management of information on unjust demands based on the Law Concerning Prevention of Unjust Acts by Boryokudan Members, by the National Public Safety Commission/the National Police Agency. It carries out operations to receive inquiries and consultations from securities companies.

The Japan Securities Dealers Association also established the “Rules regarding Severing Relationships with Anti-social Forces” in May 2010, obligating each member to 1) introduce articles regarding assurance by customers “that they are not an anti-social force” when opening a new securities account, 2) introduce articles regarding elimination of anti-social forces in their transaction clauses etc., 3) screen new and existing customers, and 4) ban the conclusion of contracts with anti-social forces. Following the amendment of the Act on Prevention of Transfer of Criminal Proceeds, the “FAQ concerning the Act on Prevention of Transfer of Criminal Proceeds and Related Cabinet Orders and Ministerial Ordinances” was revised in August 2012, and “Members’ Concept of Reporting Suspicious Transactions” was revised in March 2013 so as to raise members’ awareness about actions to be taken based on the amendment of the Act on Prevention of Transfer of Criminal Proceeds. In January 2013, the Japan Securities Dealers Association’s system for inquiring as to whether or not a certain person is an anti-social force and the National Police Agency’s database were connected with each other, and the operation of the connected system started in earnest in February of the same year. The system is used to make inquiries about all of members’ new customers.

7 Moneylending Industry

Japan’s moneylending industry has a self-regulating body called the “Japan Financial Services Association.” In efforts to prevent damages caused by money laundering and anti-social forces, the Association implements voluntary regulations, which has clarified relevant items for verification purposes to be added to internal regulations by members as self-regulation.

In addition, members are provided with reference materials such as guidelines or “model regulations” for use in formulating internal regulations. These guidelines show specific examples of relevant items to be included.

To ensure effective voluntary regulation, members were inspected on the full body of their internal regulations in FY2011, and guidance and instruction were provided where the adoption of relevant items was found to be insufficient. As a result, virtually all members (99%) have now devised compliant regulations.

In September FY2011, a Boryokudan exclusion clause was added to contract formats sold to members, and the revised format was posted on the Association’s website, enabling not

only members but all moneylending businesses to view these materials, in efforts to facilitate the adoption of said clause.

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

The Association also notes information on preventing damages caused by money laundering and anti-social forces on the Association's website in order to familiarize association members with these issues.

In FY 2013, regarding the money lending industry's efforts to deal with anti-social forces, members were requested through the Association's website to take special care in conducting money lending business so as to cancel a contract as soon as possible when they have recognized a transaction with an anti-social force regardless of whether it is at the time of or after the conclusion of a contract and to eliminate relationships with antisocial forces. In addition, the Association is considering collecting information on anti-social forces from the JBA for provision to members.

8 Fund Transfer Industry

The Japan Payment Service Association is an authorized fund settlement cooperative whose purpose is to facilitate sound development of advanced payment means issuance services and fund transfer services, as well as to protect users' profits. The Association engages in a variety of countermeasures against money laundering and terrorist financing. In 2010, the Association enacted voluntary regulations pertaining to member systems for accurate response to verification of customer identity and to suspicious transaction reporting for member of fund transfer businesses. In March 2011, the Association devised an internal regulation model, as well as a system to disseminate information on parties subject to asset freezing provided by the Financial Services Agency, also for fund transfer businesses.

In response to the full enforcement of the revised Act on Prevention of Transfer of Criminal Proceeds, the Association provides advance announcements to members on information regarding the revised act, as well as providing this information on its website. The Association also takes up the issue of countermeasures against money laundering amongst its members through workshops.

9 Leasing Industry

The Japan Leasing Association is an industry organization for the public interest, comprised of companies engaged in the leasing business. In March 2008, following the revision of the Act on Prevention of Transfer of Criminal Proceeds, the Association compiled and distributed an educational pamphlet targeting leasing customers. In September 2012, the Association compiled and distributed a pamphlet regarding the revised Act, which was also posted on its website along with related materials, in efforts to further familiarize association members with the issues.

In addition, the Japan Leasing Association holds an annual training program (advanced

course), in which trainees, primarily leasing company managers, are trained in the Act on Prevention of the Transfer of Criminal Proceeds.

10 Credit Industry

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

11 Real Estate Industry

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

Following the enforcement of the revised Act on Prevention of Transfer of Criminal Proceeds, the Council has updated its handbook for realty professionals and enhanced its Q & A section concerning the outline and implementation of the revised act.

In addition, the Council invited lawyers and other experts as lecturers at workshops for members to provide explanations about actions to be taken in response to the amendment of the Act on Prevention of Transfer of Criminal Proceeds.

12 Precious Metals Industry

The Japan Gold Metal Association invited personnel of the National Police Agency as lecturers at a workshop held in February 2013 to receive explanations about the overview of the Act on Prevention of Transfer of Criminal Proceeds, thereby raising members’ awareness about actions to be taken based on the amendment of the same act.

13 Secondhand Goods Dealers

The Japan Ticket Association is comprised of licensed secondhand goods dealers who also engage in ticket sales. The Association has compiled a manual of obligations required by laws (the Act on Prevention of Transfer of Criminal Proceeds and the Antique Dealings Act) related to precious metal and foreign exchange transactions. This manual is intended to help familiarize members with countermeasures against money laundering.

The association also explains the overview of the Act on Prevention of Transfer of Criminal Proceeds and the obligations of specified business operators at a seminar for members.

14 Lawyers

The Japan Federation of Bar Associations had been examining the relation between an-

ti-money laundering measures and the duties of a lawyer, recognizing the importance of the measures. Following the amendment of the, Act on Prevention of Transfer of Criminal Proceeds, the Federation fully revised the “Rules on Identification of Clients and Record-Keeping” and established the “Rules on Confirmation of Matters for Identification of Clients and Record-Keeping” (hereinafter referred to as the “New Rules”) with a resolution of the extraordinary general assembly meeting in December 2012. The Federation also established the Regulations on Confirmation of Matters for Identification of Clients and Record-Keeping” (hereinafter referred to as the “New Regulations”) with a resolution of the board meeting in the same month. The New Regulations and Rules stipulate the obligations of a lawyer; e.g., verifying the identity of a client, preserving the records for certain practices, and not accepting a request if suspected to be used for transfer of criminal proceeds. The rule was put into effect in March 2013.

The Federation distributed to bar associations and federations of bar associations instruction manuals concerning the New Rules and Regulations and a model format for record-keeping in order to raise members’ awareness about these matters. It also posted them on its members-only website so that members can view them anytime. The Federation also exchanges opinions with major law firms about AML/CFT measures and holds seminars for special foreign members, members and secretariat staff of law firms.

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

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

15 Judicial Scriveners

Upon extensive consideration of the relation between money laundering countermeasures and the work of judicial scriveners, the Japan Federation of Shiho-Shoshi Lawyer’s Associations partially revised its “Federation Customer Verification and Record Preservation Criteria” in October 2007. Furthermore, on February 15th, 2008, a resolution was adopted by the Board of Directors to enact the “Regulations on Client Identity Verification.” In accordance with this resolution, the Federation informed scrivener associations to emphasize to their members the importance of customer identity verification procedures and record preservation. In addition, on March 18, 2010, the Board of Directors enacted its “Working Policy on Preventing the Transfer of Criminal Proceeds,” instructing scrivener associations to inform their members on the subject. The purpose of these efforts is to establish a working policy where scriveners take steps to avoid taking on any responsibility in cases in which there is a risk that their services might be misused for money laundering.

In addition, the Japan Federation of Shiho-Shoshi Lawyer’s Associations, the Block Judicial Scrivener Associations, and other Judicial Scrivener Associations hold training sessions on the subject for both members and new employees. Since judicial scriveners must verify the personal identity of clients as part of their job duties, this training teaches them how to veri-

fy customer identity records and keep transaction records based on the Act on Prevention of the Transfer of Criminal Proceeds.

16 Certified Administrative Procedures Specialists

To facilitate implementation of the initiatives of the Act on Prevention of Transfer of Criminal Proceeds, the Japanese Association of Certified Administrative Procedures Specialists has compiled a handbook entitled "Handbook on Customer Identity Verification under the Act on Prevention of Transfer of Criminal Proceeds," which has been distributed to all members. In addition, the Association presents information on the Act to its members through its website in order to familiarize all members with the material.

17 Certified Public Accountants

The Japanese Institute of Certified Public Accountants disseminates information on countermeasures against money laundering, etc., not only in regard to the Act on Prevention of Transfer of Criminal Proceeds but also as relates to the Act on Punishment of Organized Crimes, through member newsletters and the association website, in order to thoroughly familiarize members with these issues. In addition, the association conducts member workshops, in which it provides overviews of the Act on Prevention of Transfer of Criminal Proceeds and countermeasures against money laundering.

Section 2 Collaboration with the private sector

Paragraph 1 AML/CFT Workshop for Information sharing and feedback in 2013

1 Financial Institutions

JAFIC jointly held with the Financial Services Agency, the "Suspicious Transaction Reporting Workshop" for financial institutions 14 times, at a total of 12 places around the country, from September to November 2013, where they gave feedback learned from case studies of actual investigations involving STR information and advice with regard to key points in performing the reporting work.

At a seminar held in Tokyo in July 2013 by Shinkin Central Bank, the Financial Services Agency also explained the overview and important points of the Act on Prevention of Transfer of Criminal Proceeds.

Explanation at a Seminar



2 Currency Exchanging Operators

In March 2013, workshops for currency exchanging operators were held in seven loca-

tions across the country jointly by the Ministry of Finance and JAFIC in order to explain the overview and important points of the Act on Prevention of Transfer of Criminal Proceeds.

3 Futures Commission Merchants (Credit Unions)

In March 2013, a workshop for futures commission merchants was held in Tokyo by the Ministry of Economy, Trade and Industry in order to explain the overview and important points of the Act on Prevention of Transfer of Criminal Proceeds.

4 Postal Receiving Service Providers

In January 2013, workshops for postal receiving service providers were held in four locations across the country jointly by the Ministry of Economy, Trade and Industry and JAFIC in order to explain the overview and important points of the Act on Prevention of Transfer of Criminal Proceeds.

5 Telephone Receiving Service Providers and Telephone Forwarding Service Providers

In March and April 2013, workshops for telephone receiving service providers and telephone forwarding service providers were held in four locations across the country jointly by the Ministry of Internal Affairs and Communications and JAFIC in order to explain the overview and important points of the Act on Prevention of Transfer of Criminal Proceeds.

6 Others

JAFIC dispatched personnel to seven workshops held by various organizations in the private sector, including those held in February 2013 by the Japan Gold Metal Association for its members and by the Financial Futures Association of Japan for its employees and the one held in May of the same year by the Japan Consumer Credit Association for credit card companies in order to explain the overview and important points of the Act on Prevention of Transfer of Criminal Proceeds.

7 Issuing Guidelines for Supervision

Following the amendment of the Act on Prevention of Transfer of Criminal Proceeds, the Ministry of Economy, Trade and Industry partially revised the “Basic Guidelines on the Installment Sales Act (Deferred Payment Sector)” and the “Basic Guidelines on the Supervision of Futures Commission Merchants” in order to implement the new CDD and other obligations pursuant to the amended Act. It also adopted the “Points of Attention for Dealers in Precious Metals,” which explains to such dealers the overview and important points of the Act on Prevention of Transfer of Criminal Proceeds, and requested the Japan Gold Metal Association to raise members’ awareness about these matters.

8 Revision of List of Reference Cases of Suspicious Transactions

Following the amendment of the Act on Prevention of Transfer of Criminal Proceeds, competent administrative authorities responsible for overseeing specified business operators revised the “List of Reference Cases of Suspicious Transactions,” which indicates red flags

to which the business operators should pay particular attention to find any suspicious activities behind them when performing the reporting obligation, and published the revised list.

9 PR on Website

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

Website of the National Police Agency

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

Website of JAFIC

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

JAFIC Annual Report



Leaflet

Business operators who are required to conduct verification and transactions for which verification is required

Business operators who are required to conduct verification	Transactions for which verification is required
Financial institutions, etc.	<ul style="list-style-type: none"> Opening of deposit/savings accounts, etc. Large scale cash transactions which amount to more than 2 million yen Cash transfers which amount to more than 100,000 yen Other transactions specified by a Cabinet Order
Financial leasing operators <small>*The Act does not apply to the leasing of articles already held by a lessee company to a customer.</small>	Conclusion of finance lease contracts for a rental fee exceeding 100,000 yen per payment
Credit card operators	Conclusion of credit card contracts
Real estate agents	Conclusion of contracts for buying and selling of building lots or buildings, or agent work or intermediation thereof
Dealers in precious metals and stones	Conclusion of contracts for buying and selling of precious stones, precious metals, etc., for which prices are more than 2 million yen and payment is made by cash
Postal receiving service providers (Private P.O. Box)	Conclusion of contracts for the provision of services
Telephone receiving service providers (Telephone secretary)	Conclusion of contracts for the provision of services <small>*Excluding the conclusion of contracts which contain such terms that when receiving telephone calls, the business name, etc., of the service provider is expressed</small> <small>*Excluding the conclusion of contracts pertaining to call center business, etc.</small>
Newly added business operator Telephone forwarding service providers	Conclusion of contracts for the provision of services
Judicial scriveners	Conclusion of contracts pertaining to agent or deputy work for the following acts: <ul style="list-style-type: none"> Acts or procedures concerning the buying and selling of building lots and buildings Acts or procedures concerning the establishment, merger, etc., of companies, etc. Management or disposition of cash, deposits, securities and other property of a value exceeding 2 million yen
Certified administrative procedures specialists	<ul style="list-style-type: none"> Excluding payment of taxes, fines, non-penal fines, etc. Excluding management or disposition of property of other persons carried out as a duty for a guardian of an adult, etc., elected by the court or competent government agency Excluding the conclusion of voluntary guardianship contracts
Certified public tax accountants	<ul style="list-style-type: none"> Excluding management or disposition of property of other persons carried out as a duty for a guardian of an adult, etc., elected by the court or competent government agency Excluding the conclusion of voluntary guardianship contracts
Lawyers	<small>*As prescribed by the rules of the Japan Federation of Bar Associations in line with cases of a judicial scrivener and other professionals</small>

Prohibition of giving false information

When a business operator conducts verification at the time of transaction, a customer, or a person who is actually in charge of conducting the transaction in the case of a transaction by a juridical person or by a representative person, is prohibited from giving false information concerning the customer identification data. Penal provisions apply to a person who has given false information concerning customer identification data for the purpose of concealing the customer identification data.

Immunity of business operators

A business operator may, when a customer, or a person who is actually in charge of conducting the transaction in the case of a transaction by a juridical person or by a representative person, does not comply with the request for verification, refuse to perform its obligations pertaining to the transaction until the customer, etc., complies with the request.

Preparation and preservation of records

When a business operator has conducted verification at the time of transaction, the business operator is required to prepare verification records and preserve them for 7 years. In this case, the business operator is also required to prepare records concerning the transaction and preserve them for 7 years.

For any inquiries, please contact the following agency responsible for each type of business operator	
Financial institutions, etc.	Research Office, Planning Division, Planning and Coordination Bureau, Financial Services Agency TEL: 03-3508-6000 (main)
Financial leasing operators	Consumer Affairs Policy Planning Office, Commerce and Consumer Affairs Policy Division, Commerce and Information Policy Bureau, Ministry of Economy, Trade and Industry TEL: 03-3501-1511 (main) (ext. 4281)
Credit card operators	Commerce Supervisory Division, Commerce and Information Policy Bureau, Ministry of Economy, Trade and Industry TEL: 03-3501-1511 (main) (ext. 4191)
Real estate agents	Each Regional Development Bureau of Ministry of Land, Infrastructure, Transport and Tourism, or Osaka Development Agency, or the section responsible of each prefectural government, by which the license of building lot and building transaction business operator was issued
Jewelers	Traditional Craft Industry Office, Creative Industries Division, Commerce and Information Policy Bureau, Ministry of Economy, Trade and Industry TEL: 03-3501-1511 (main) (ext. 3891)
Dealers in precious metals and stones	Mineral and Natural Resource Division, Natural Resources and Fuel Department, Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry TEL: 03-3501-1511 (main) (ext. 4701)
Antique stores and pawnbrokers	Section responsible for antique stores and pawnbrokers of prefectural police headquarters
Postal receiving service providers	Commerce Supervisory Division, Commerce and Information Policy Bureau, Ministry of Economy, Trade and Industry TEL: 03-3501-1511 (main) (ext. 4191)
Telephone receiving service providers	Telecommunications Consumer Policy Division, Telecommunications Business Department, Telecommunications Bureau, Ministry of Internal Affairs and Communications TEL: 03-3253-5111 (main) (ext. 5487)
Telephone forwarding service providers	

For more details concerning the Act on Prevention of Transfer of Criminal Proceeds, please visit the National Police Agency, Japan Financial Intelligence Center (JAFIC) web page at: <http://www.npa.go.jp/soe/ichihana/jafic/index.htm>

For inquiries about this booklet, please contact

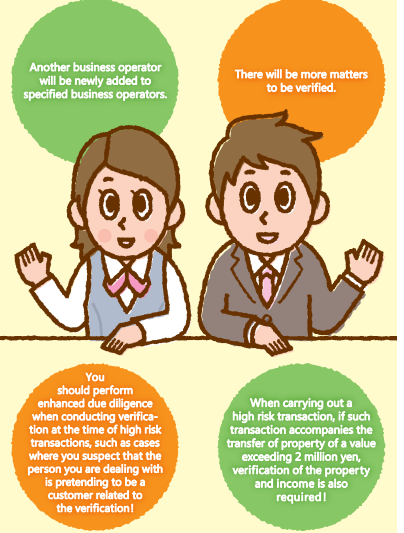
TEL: 03-3561-0141

The Japan Financial Intelligence Center, Organized Crime Department, Criminal Investigation Bureau, National Police Agency 1-2 Kasumigaoka 2-chome, Chiyoda-ku, Tokyo 100-8974

To be enforced on April 1, 2013

Act on Prevention of Transfer of Criminal Proceeds

More transactions will be added to the transactions for which verification is required and more matters will be added to the matters to be verified.



National Police Agency Financial Services Agency Ministry of Internal Affairs and Communications Ministry of Justice Ministry of Finance Ministry of Health, Labour and Welfare Ministry of Agriculture, Forestry and Fisheries Ministry of Economy, Trade and Industry Ministry of Land Infrastructure, Transport and Tourism.

To prevent money laundering and terrorist financing, more matters will be added to the matters to be verified at the time of transaction.

*Changes made by this revision are indicated in red.

Matters to be verified at the time of transaction and documents to be used

When carrying out a transaction, verification of official certificates such as a driver's license is required. Main examples of documents that can be used for verification are described below. Please note that some of the matters to be verified must be verified by different methods depending on whether the transaction is an ordinary transaction or a high risk transaction.

Matters to be verified	Ordinary transaction	High risk transaction
Customer identification data (Name, address, date of birth (individual) / name and location (juridical person))	<ul style="list-style-type: none"> The following identification documents Driver's license, Certificate of driving record Health insurance certificate National pension handbook Basic resident register card (with the indication of name, residence and date of birth) Passport Resident card Certificate of special Permanent resident Other documents specified by a Cabinet Order 	<ul style="list-style-type: none"> Documents verified at the time of ordinary transaction Identification documents other than the above
Purpose of conducting a transaction	Provision of information	Same as ordinary transaction
Occupation (in the case of individual)	Provision of information	Same as ordinary transaction
Contents of business (in the case of juridical person)	Articles of Incorporation, certificate of registered matters, etc.	Same as ordinary transaction
Beneficial owner (A person who holds over 25% of the total voting rights, etc.)	Whether or not a beneficial owner exists	Shareholder registry, securities report, etc.
State of property and income (Limited to high risk transactions involving the transfer of property of a value exceeding 2 million yen)	Provision of information	Identification documents (In the case of individual) Withholding record, final return form, deposit/savings passbook, etc. (In the case of juridical person) Balance sheet, profit and loss statement, etc.

Documents with a valid period need to be valid as of the day they are presented to or received by the business operator. Documents without a valid period are limited to those that have been prepared not later than 6 months before the day they are presented to or received by the business operator.

Points to consider When conducting verification, if the current residence of the customer or the person in charge of carrying out the transaction is different from that on the identification documents, it is necessary for a specified business operator to verify the current residence by having another identification documents, a tax payment certificate, a receipt for social insurance premiums, a receipt for public utility rate (limited to those on which the date of receipt is sealed or the date of issue is indicated, with such date being not more than 6 months before the day on which they are presented to or sent, etc., presented or received.

Method of verification

In the case of individuals

Only those matters to be verified at the time of transaction listed in ① to ⑤ (for a judicial scrivener and other professionals, only those listed in ③) in the table on the left must be verified. If a transaction is carried out by a representative person, in addition to verification of the customer, the customer identification data of the person actually in charge of carrying out the transaction must also be verified.

① In the case of a face-to-face transaction...

Having a driver's license, health insurance card, etc., presented and having the information concerning the purpose of the transaction and occupation given

Having a copy of resident card, documents issued by a public agency without photograph etc., presented, and having the information concerning the purpose of the transaction and occupation given

② In the case of a non-face-to-face transaction (through Internet, postal mail, etc.)... Having the identification documents or copies thereof sent and having the information concerning the purpose of the transaction and occupation given

In the case of juridical persons

Only those matters to be verified at the time of transaction listed in ① to ⑤ (for a judicial scrivener and other professionals, only those listed in ③) in the table on the left must be verified. In addition, the customer identification data of the person actually in charge of carrying out the transaction must also be verified.

① In the case of a face-to-face transaction...

- Having a certificate of registered matters, a seal registration certificate or other identification documents presented
- Having the information concerning the purpose of the transaction given
- Having the documents by which the contents of business can be verified, such as articles of incorporation, presented
- Having the information on the customer identification data concerning beneficial owners given

② In the case of a non-face-to-face transaction (through Internet, postal mail, etc.)...

- Having the identification documents or copies thereof sent as a certificate of registered matters and a seal registration certificate sent
- Having the information concerning the purpose of the transaction given
- Having documents by which the contents of business can be verified, such as articles of incorporation, or copies thereof sent
- Having the information on the customer identification data concerning beneficial owners given

In the case of a foreign national who is a short-term resident with no residence in Japan

(tourist, etc.) for whom the residence in the country of the foreign national cannot be verified by the indication of his/her passport, etc.

① Only face-to-face transactions...

As a general rule, if the residence cannot be verified, a transaction for which verification is required is not permitted to be carried out. However, currency exchange, buying and selling of precious stones, precious metals etc., and other transactions are permitted by having such foreign national present his/her passport or crew member's pocket-ledger which indicates, in addition to his/her name and date of birth, nationality and the number.

If it is deemed that the period of stay does not exceed 30 days based on the verification stamp for landing, etc., such foreign national is deemed to have no residence in Japan.

Verification at the time of high risk transactions

Conducting enhanced due diligence is required when carrying out a transaction that is highly likely to be used for money laundering (high risk transaction). Furthermore, if such transaction involves the transfer of property of a value exceeding 2 million yen, verification of the status of the property and income is also required (excluding judicial scrivener and other professionals).

What is a high risk transaction?

A high risk transaction refers to a certain transaction with a party who is suspected of pretending to be a customer related to the verification, or a transaction that is highly likely to be used for money laundering, which falls under any of the following transactions.

- A transaction with a person who is suspected of pretending to be a customer, etc., or a representative person, etc., for whom verification has been conducted at the time of the conclusion of a contract in the past
- A transaction with a customer, etc., who is suspected to have given false information concerning customer identification at the occasion of verification conducted at the time of the conclusion of a contract in the past
- A transaction with a person who resides or is located in Iran or North Korea

Paragraph 2 Calling for actions by Specified Business Operators upon the adoption of the United Nations Security Council Resolutions

When the United Nations Security Council adopts a resolution requiring countries to freeze the funds or other assets related to any persons or entities in order to prevent and suppress terrorism and terrorist financing, JAFIC, in cooperation with relevant Ministries and Agencies, shall disseminate the content to specified business operators and request the thorough implementation of CDD and suspicious transaction reporting obligation on persons or entities subject to the resolutions concerned. And, the targeted persons or entities shall be listed on the website of JAFIC.

1 Measures based on the United Nations Security Council resolutions (UNSCRs)

Japan implements targeted financial sanctions to freeze assets of persons or entities associated with the Taliban according to UNSCRs concerned. Every time the list of such parties is revised, JAFIC requires specified business operators through supervisory authorities to fulfill their obligation of due diligence and ensure the reporting of all suspicious transactions. Such a requirement was made a total of six times in 2013.

2 Measures based on the FATF Public Statement

The FATF Plenary held in February, June and October 2013 adopted the Statement which called on all FATF members and other jurisdictions to apply countermeasures to protect the international financial system from money laundering and terrorist financing risks emanating from Islamic Republic of Iran and North Korea. In response, JAFIC has issued a notice through supervisory authorities that specified business operators should properly conduct CDD and reporting obligation pursuant to the Act on Prevention of Transfer of Criminal Proceeds.

The Plenary also adopted a statement concerning the jurisdictions having strategic deficiencies in the measures against money laundering and terrorist financing, to which JAFIC referred in the notice above.

Paragraph 3 National Risk Assessment of Money Laundering and Terrorist Financing

1 Backgrounds

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

The FATF Recommendations revised in February 2012 (new FATF 40 Recommendations) call on individual countries to identify and assess money laundering and terrorist financing risks for the country.

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

Responding to the G8 agreement, Japan expressed its strong commitment to AML/CFT by issuing the national action plan in the same month declaring that the government would establish an inter-ministerial working team with the Financial Service Agency on board under the chair of the National Police Agency with a view to completing the works on the national risk assessment by the end of 2014.

【A scene from a meeting of the Working Group】



2 Purpose

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

3 Ongoing works

In response to the Japan Action Plan, relevant ministries and agencies are working together to complete the national risk assessment by the end of 2014 through the Working Group on the National Risk Assessment of Money Laundering and Terrorist Financing that was established in July 2013 as a subcommittee of “the Related Ministry Liaison Conference regarding Implementation of FATF Recommendations.”

Section 3 Progress of the collection of reports and opinion statements in 2013

When suspicion surfaces during the investigation of special fraud cases including Furikome fraud and other crimes by the Prefectural Police with regard to the violation of the obligation of customer identity verification and other matters prescribed in the Act on Prevention of Transfer of Criminal Proceeds, JAFIC makes requests to the alleged specified business operators for submission of reports, gives directions to the relevant prefectural Police on necessary inquiry, and makes opinion statements to competent administrative authorities.

1 Collection of Reports and Opinion Statements by JAFIC

In 2013, JAFIC made 11 requests to submit report to Postal Receiving Service Providers, and gave a direction to Prefectural Police to make necessary inquiry. In addition, based on the result of the past report collection, JAFIC issued ten opinion statements to competent administrative authorities in charge of supervising specified business operators; specifically, nine statements to the Minister of Economy, Trade and Industry, which is the authority over postal receiving service providers; and one to the Minister of Internal Affairs and Communications, which is the authority over telephone receiving service provider. The purpose of these statements is to encourage these authorities to take necessary measures that will rectify the violations of the Act by their supervising specified business operators. No on-site inspections were performed.

Table 3-1 Number of supervisory actions

Category \ Year	2009	2010	2011	2012	2013
Number of requests to submit reports to specified business operators	16	7	5	9	11
Number of directions to conduct inquiry to prefectural police	2	10	3	3	1
Number of opinion statements made to competent administrative authorities	9	13	10	10	10

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

In 2013, in light of Opinion Statements issued by JAFIC, the Minister of Economy, Trade and Industry issued six Rectification Orders to postal receiving service providers, while the Minister of Internal Affairs and Communications issued a Rectification Order to a telephone receiving service provider.

This was the first Rectification Order issued against a telephone receiving service provider since the enforcement of the Act on Prevention of Transfer of Criminal Proceeds.

Rectification Order against a Telephone Receiving Service Provider

It has come to the attention of JAFIC that a telephone receiving service provider posed a serious failure in starting a business relationship with a customer running a loan sharking business that obviously tried to exploit its slack verification. JAFIC advised the Minister of Internal Affairs and Communications who was responsible for the business that the entity should receive a rectification order due to the failure of the required obligation. Based upon the advice, the Minister issued the order against it calling for stringent compliance. (Osaka)

Chapter 4

Reports of Suspicious Transactions

The Act on Prevention of Transfer of Criminal Proceeds requires specified business operators to file a report with competent administrative authorities when a transaction is suspected to be related to criminal proceeds. This measure was made an obligation for the first time in the Anti-Drug Special Provisions Law and was taken over to the Act on Prevention of Transfer of Criminal Proceeds through the Act on Punishment of Organized Crimes.

Section 1 System Outline

1 Purpose

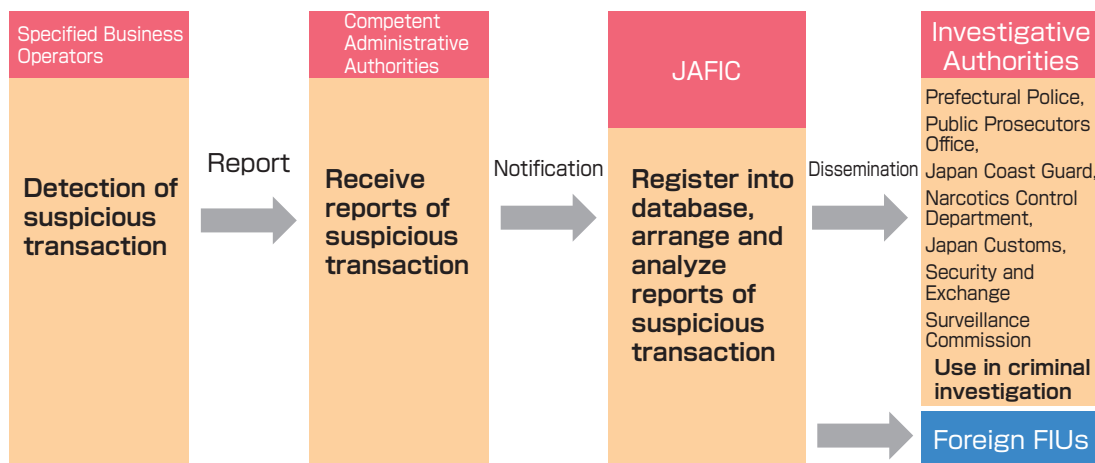
The Suspicious Transaction Reporting System aims to support investigation on money laundering and its predicate offences as well as terrorist financing, to prevent the misuse of financial or other services provided by specified business operators and to ensure soundness and trust of business activity.

2 Flow of Suspicious Transaction Reporting

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

The receiving investigative authorities utilize STRs as clues for initiating an investigation against a specific suspicious activity, or identifying criminal proceeds or sources of illicit funds. JAFIC also provides interested foreign FIUs with information on cross border transac-

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



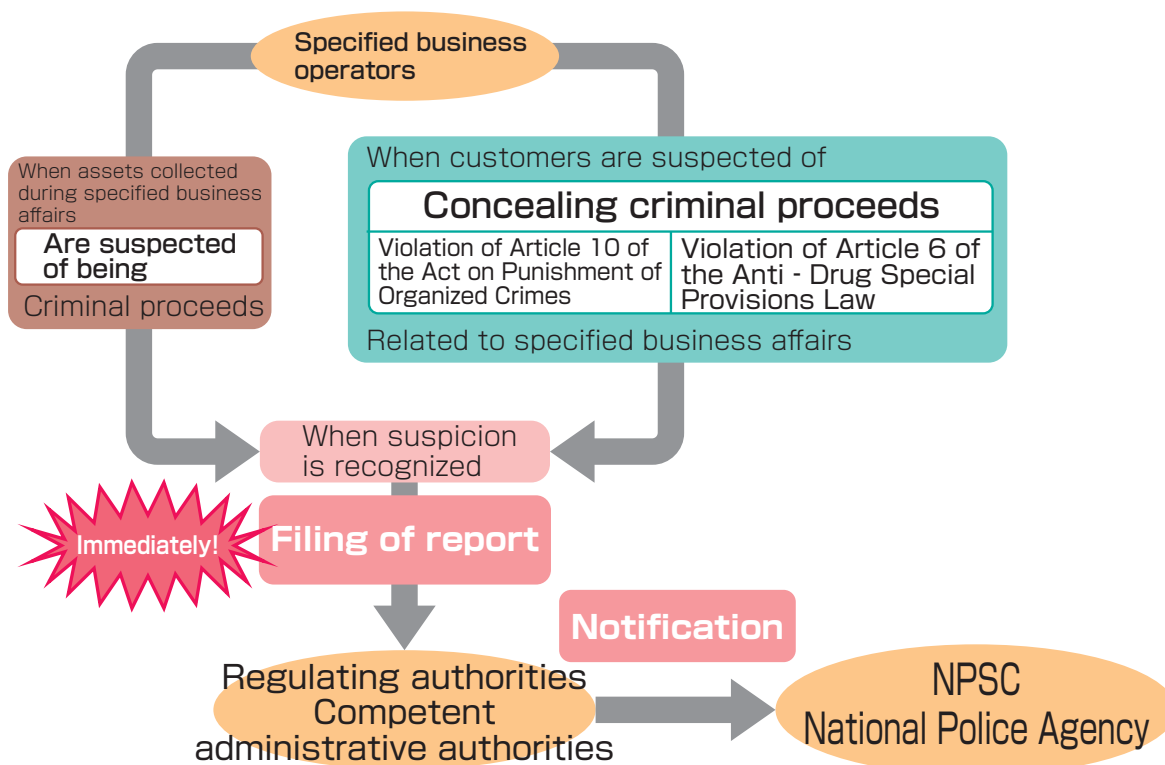
tions as necessary, in order to facilitate their analysis or investigation into global scale money laundering.

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

3 When STRs are Required

Under Article 8 of the Act on Prevention of Transfer of Criminal Proceeds, it is required that specified business operators (excluding professions such as lawyers and certified accountants) promptly file an STR with the competent administrative authorities when there is any suspicion, taking into account information obtained through CDD that assets they received could be criminal proceeds or that the customer could commit money laundering (i.e. violations of Article 10 of the Act on Punishment of Organized Crimes or Article 6 of the Anti-Drug Special Provisions Law).

Figure 4-2 Cases where STRs are required



4 List of Reference Cases of Suspicious Transactions

Specified business operators are expected to determine whether there is any suspicious activity behind the transaction concerned based on their own knowledge and experience in their particular field of business, also taking into account the nature of transaction or customer. 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, competent administrative authorities have announced “reference cases of suspicious transactions,” based on the characteristics of respective specified business operators. These reference cases are however just samples of suspicious transactions and are intended merely for reference.

This means, it is necessary for the specified business operators to determine 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.

5 Information Security

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 NPSC.

In particular, since a large amount of information is stored in the database system which manages suspicious transactions, sufficient security measures need to be taken. Various security measures put in place at JAFIC are as follows.

(1) Management of Entering and Exiting

Terminals that can access information stored in the JAFIC database are located in a room with doors that are 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 the JAFIC database, three levels of authentication are required. In other words, information can be reached only after authentication is carried out 3 times, in 3 different ways. During the authentication procedure, if more than one mistake occurs, access to the terminal is denied to prevent unauthorized use.

(3) Surveillance of Terminal

All processing operated at the terminals, such as file inquiries and printing, is monitored and recorded by the surveillance software. This allows for tracing in case of wrongful operation, and prevents improper use of information within the organization.

(4) Physical Measures of Terminals

Each terminal is firmly affixed to a desk with a security wire, to prevent theft.

(5) Strengthening of Server Management

The server that contains reported 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. Hence, even 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

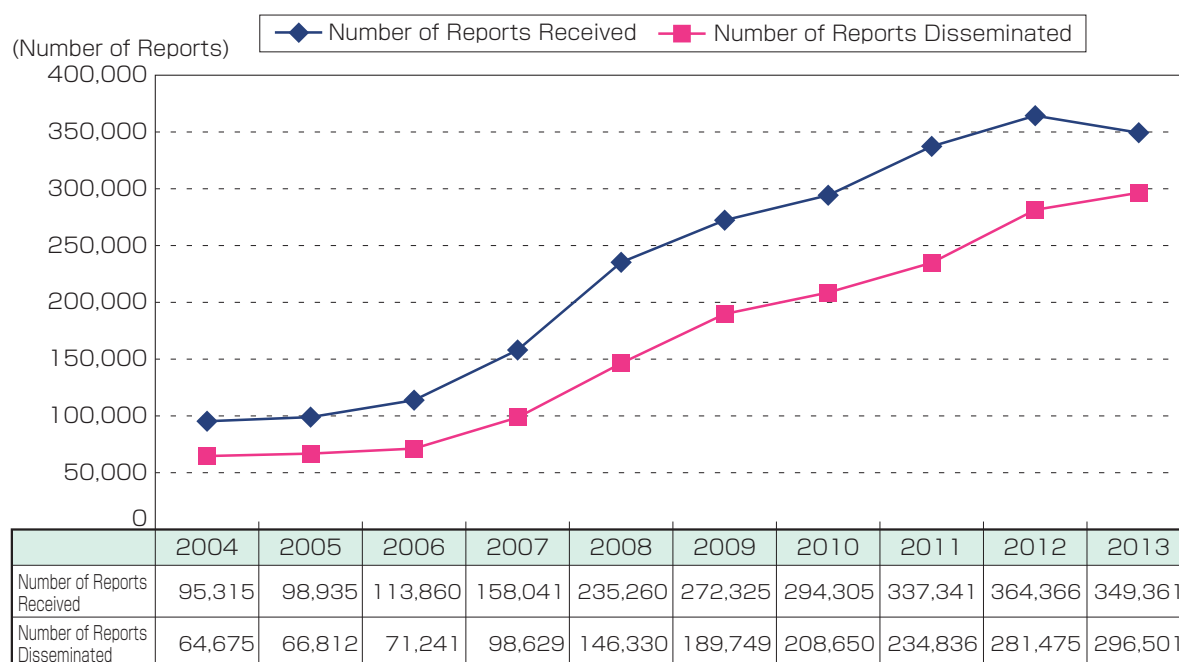
Transmission between the server and the terminals is encrypted with a special circuit.

Section 2 Situation of STR filings in 2013

1 Transition of the Number of STR filings

Although the suspicious transaction reporting system was established with the enforcement of the Anti-Drug Special Provisions Law in 1992, less than 20 reports were received each year between 1992 and 1998, largely because the subjects of reporting was limited to proceeds derived from drug-related crimes. Under these conditions, that reporting system could not be considered to be fully functional. However, since the enactment of the Act on Punishment of Organized Crimes in 1999, crimes subject to suspicious transaction reports were extended besides drug-related crimes to include other serious crimes as specified by the act, and the number of reports received exceeded 1,000 cases in the same year. Since the enforcement of the Act on Punishment of Organized Crimes in the year 2000, the number of reports has increased every year, and has kept increasing since the partial enforcement of the Act on Prevention of Transfer of Criminal Proceeds in 2007. The number of reports received in 2013 was 349,361 (see Figure 4-3).

Figure 4-3 Trend Diagram of Number of STRs (2004-2013)



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

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

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

- Spreading compliance culture among the general public has encouraged financial institutions' efforts in fighting against anti-social forces and applied stringent monitoring over

their financial or other economic activities.

○What the existing AML/CFT regime intends has been steadily shared with the private sector through workshops or seminars.

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

No file of STRs was deleted by JAFIC in 2013.

2 Number of Received Reports by Business Types

The number of suspicious transaction reports that each category of business operators filed in 2013 is shown in table 4-2. Banks etc. have the highest number of reports with 313,435 cases, or 89.7% of all reports, followed by Shinkin banks and credit cooperatives (14,089 cases, or 4.0%), and financial instrument business operators (7,373 cases, or 2.1%) (see Table 4-1).

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

Category \ Year	2009		2010		2011		2012		2013	
	Number of reports	%	Number of reports	%	Number of reports	%	Number of reports	%	Number of reports	%
Financial Institutions etc.	270,628	99.4%	292,529	99.4%	334,903	99.3%	360,513	98.9%	344,147	98.5%
Depository Institutions	265,051	97.3%	283,971	96.5%	324,600	96.2%	348,831	95.7%	329,127	94.2%
Banks etc.	253,668	93.1%	272,215	92.5%	311,298	92.3%	333,868	91.6%	313,435	89.7%
Shinkin Banks and Credit Cooperative	10,941	4.0%	11,156	3.8%	12,453	3.7%	13,521	3.7%	14,089	4.0%
Labour Banks	161	0.1%	243	0.1%	248	0.1%	357	0.1%	290	0.1%
Norinchukin Banks etc.	281	0.1%	357	0.1%	601	0.2%	1,085	0.3%	1,313	0.4%
Insurance Companies	183	0.1%	202	0.1%	677	0.2%	1,837	0.5%	3,002	0.9%
Financial Instruments Business	3,821	1.4%	5,666	1.9%	6,758	2.0%	5,998	1.6%	7,373	2.1%
Money Lending Business	1,148	0.4%	634	0.2%	581	0.2%	1,628	0.4%	1,872	0.5%
Fund Transfer Companies			73	0.0%	344	0.1%	380	0.1%	363	0.1%
Commodity Futures Traders	7	0.0%	13	0.0%	5	0.0%	3	0.0%	53	0.0%
Currency Exchanging Operators	418	0.2%	1,970	0.7%	1,937	0.6%	1,835	0.5%	2,119	0.6%
Electronic Monetary Claim Recording Institutions	0	0.0%	0	0.0%	1	0.0%	1	0.0%	1	0.0%
Other	0	0.0%	0	0.0%	0	0.0%	0	0.0%	237	0.1%
Financial Leasing Operators	60	0.0%	83	0.0%	45	0.0%	109	0.0%	62	0.0%
Credit Card Operators	1,510	0.6%	1,617	0.5%	2,350	0.7%	3,664	1.0%	5,086	1.5%
Real Estate Agents	33	0.0%	21	0.0%	5	0.0%	10	0.0%	1	0.0%
Dealers in Precious Metals and Stones	0	0.0%	19	0.0%	4	0.0%	28	0.0%	7	0.0%
Postal Receiving Service Providers	92	0.0%	36	0.0%	34	0.0%	42	0.0%	57	0.0%
Telephone Receiving Service Providers	2	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Telephone Forwarding Service Providers									0	0.0%
Other									1	0.0%
Total	272,325	100.0%	294,305	100.0%	337,341	100.0%	364,366	100.0%	349,361	100.0%

3 Number of Received Reports Classified by Methods

According to reports of suspicious transaction by method, report by electronic application using the e-governance on-line window (e-Gov), or other means (for example, sending documents etc. to the competent administrative authorities) are described in Table 4-3.

Table 4-2 Number of Received Reports Classified by Method

Notification Method \ Year	2009		2010		2011		2012		2013	
	Number of reports	%	Number of reports	%	Number of reports	%	Number of reports	%	Number of reports	%
Electronic Application	156,291	57.4%	172,394	58.6%	184,774	54.8%	236,882	65.0%	255,258	73.1%
Other Methods	116,034	42.6%	121,911	41.4%	152,567	45.2%	127,484	35.0%	94,103	26.9%
Total	272,325	100.0%	294,305	100.0%	337,341	100.0%	364,366	100.0%	349,361	100.0%

Report rate by electronic application in 2013 was 73.1%, an increase of 8.1 points from the previous year.

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

Section 3 Dissemination and Use of STRs in 2013

Paragraph 1 Dissemination

JAFIC collects, arranges, and analyzes all STRs and provides investigative authorities with STRs that have been deemed conducive to the investigation of money laundering, predicate offences or other offenses. The receiving investigative authorities are the Prefectural Police, Public Prosecutors Office, Narcotics Control Department, Japan Coast Guard, Japan Customs and SESC.

The number of reports on suspicious transactions provided to investigative authorities has kept growing every year, which was 296,501 in 2013, an increase of 15,026 cases (5.3%) from the previous year. (See figure 4-3). Besides, JAFIC also responded to two queries from an investigative authority seeking a copy of STR.

Paragraph 2 Use of STRs in the Prefectural Police

The number of cases cleared by prefectural police that were initiated with information in STRs ("STR-initiated cases") has increased every year. The number was 962 in 2013, an increase of 76 cases (8.6%) from the previous year.

Table 4-3 shows the STR-initiated cases categorized by crime type.

Table 4-3 Number of STR-initiated cases by type of crime

Crime	Year	2009	2010	2011	2012	2013
Fraud		265	258	360	470	453
Violation of Act on Prevention of Transfer of Criminal Proceeds		48	76	145	239	321
Fraud and Violation of Act on Prevention of Transfer of Criminal Proceeds		0	0	0	0	1
Fraud and violation of Investment Deposit and Interest Rate Act		0	0	0	0	1
Violation of Immigration Act		4	5	6	106	123
Violation of Stimulants Control Act		0	16	17	16	17
Violation of the Stimulants Control Act and the Narcotics and Psychotropic Control Act		0	0	0	0	1
Violation of the Stimulants Control Act, the Narcotics and Psychotropic Control Act, and the Pharmaceutical Affairs Act		0	0	0	0	1
Falsification and supply of electromagnetic records of officially authenticated documents		0	3	3	1	8
Forgery and use of private documents and fraud		0	0	0	4	2
Falsification and supply of electromagnetic records of officially authenticated documents and fraud		0	0	0	1	1
False statement on licenses		0	0	0	0	1
Use of counterfeit signed private documents		0	0	0	0	1
Use of counterfeit signed private documents and fraud		0	0	0	0	1
Use of counterfeit securities and fraud		0	0	0	0	1
Sharing of unauthorized creation of electromagnetic records of payment cards and fraud		0	0	1	1	1
Violation of Money Lending Business Act and Investment Deposit and Interest Rate Act		5	2	5	3	5
Violation of Money Lending Business Act		1	2	3	2	3
Violation of Interest Deposit and Interest Rate Act		3	5	2	1	1
Violation of the Banking Act		1	2	3	1	5
Theft		2	1	0	2	3
Storage of stolen goods		0	0	0	0	1
Forgery and use of private documents and fraud, and fraud and violation of the Act on Punishment of Organized Crimes (concealment of criminal proceeds etc.)		0	0	0	0	1
Fraud and violation of the Act on Punishment of Organized Crimes (concealment of criminal proceeds etc.)		0	0	0	2	1
Purchase of stolen goods with compensation and violation of the Act on Punishment of Organized Crimes (concealment of criminal proceeds etc.)		0	0	0	0	1
Violation of the Trademark Law and the Act on Punishment of Organized Crimes (concealment of criminal proceeds etc.)		0	0	0	0	1
Violation of the Trademark Law		0	2	1	1	1
Violation of the Copyright Act		0	0	0	1	1
Extortion		2	2	2	1	1
Embezzlement		0	0	0	0	1
Others		6	16	22	34	2
Total		337	390	570	886	962

Note 1: The formal titles of the laws are as follows:

- The Immigration Act is the Immigration Control and Refugee Recognition Act
- The Investment Deposit and Interest Rate Act is the Act Regulating the Receipt of Contributions, Receipt of Deposits and Interest Rates.

Note 2: "Violation of the amended Act on Prevention of Transfer of Criminal Proceeds" includes violation of the Customer Identification Act, their Subscribers and for Prevention of Improper Use of Mobile Voice Communications Services. The following describes each type of the violation.

- Fraud-related crimes (fraud and violations of the Act on Prevention of Transfer of Criminal Proceeds) totaled 776 cases, the largest number that comprises 80.7% of all cases, which included arrests for bank passbook smuggling, fraud over internet forums or online dating sites, insurance fraud committed by Boryokudan members, investment fraud involving unlisted stock deals and so forth.
- Illegal stays (violations of the Immigration Control Act) totaled 123 cases, which included foreign nationals who had overstayed or engaged in activities otherwise as supposed by the visa granted.
- Drug crimes (violation of the Stimulants Control Act and the Narcotics and Psychotropic Control Act) totaled 19 cases, which included arrests for the possession and/or smuggling of stimulants.
- Counterfeiting crimes (false entries in the original of an electromagnetic notarized deed and use of such documents, false statement on licenses, use of counterfeit signed private documents and counterfeit securities, and use of illicitly-produced payment cards) totaled 16 cases, which included arrests for fraudulent receipt of child allowances and sham marriages.
- Loan sharks (violation of the Money Lending Business Act or the Investment Deposit and Interest Rate Act) totaled 9 cases, which included arrests for unregistered business operation and loan-sharking in violation of the Money Lending Business Act and the Investment Deposit and Interest Rate Act.
- Underground banking (violation of the Banking Act) totaled 5 cases, which included arrests for unauthorized overseas remittances by foreign residents in Japan in violation of the Banking Act.
- Theft and related crimes (theft and storage of stolen goods) totaled 5 cases, which included arrests for wide-area-based car theft committed by Boryokudan and fraudulent cash withdrawal from ATMs using a cash card that had been obtained through ID theft.
- Money laundering offenses (violation of the Act on Punishment of Organized Crimes [concealment and receiving of criminal proceeds]) totaled 4 cases, which included arrests for concealment of criminal proceeds from various offences.
- Infringement of intellectual property rights (violations of the Trademark Act and the Copyright Act) totaled 2 cases, which included arrests for the sale of counterfeit brands in violation of the Trademark Act, and for the sale of unauthorized copies of DVDs in violation of the Copyright Act.

In 2013, there was twelve money laundering offence arrests which were also STR-initiated cases, of which in addition to the above four cases, there were another eight arrests for STR-initiated predicate offenses which finally led to an arrest for money laundering as well. STR-initiated cases by predicate offence type shows that fraud, violation of the Banking Act came to 9 cases, and accounted for 75.0% of the total (see Table 4-4).

Table 4-4 The number of cases in which STRs led to arrests made for money laundering crimes

Predicate offenses \ Year	2009	2010	2011	2012	2013
Fraud	4	10	9	6	6
Violation of the Banking Act	0	0	0	0	3
Violation of the Money Lending Business Act and the Investment Deposit and Interest Rate Act	4	5	5	3	1
Violation of the Money Lending Business Act	0	0	0	1	1
Violation of the Trademark Law	1	0	1	1	1
Others	0	2	2	4	0
Total	9	17	17	15	12

In 2013, the number of cases that reached confiscation and collection of equivalent value based on STRs stood at 4 (see Figure 4-5).

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

	2009	2010	2011	2012	2013
Confiscation	0	5	5	8	4
Collection of Equivalent Value	0	(4)	1(4)	(5)	0
Total	0	5(4)	6(4)	8(5)	4

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

The number of STRs used for investigation by prefectural police was 193,844 in 2013, an increase of 5,523 cases (2.9%) from the previous year (see Table 4- 6).

Table 4-6 Number of STRs Used for Investigative Purposes

	2009	2010	2011	2012	2013
Number of STRs used in investigation of initiated cases	1,261	1,642	2,674	3,811	3,781
Number of STRs used in investigation of cases other than the above-mentioned cases	68,680	86,418	103,103	184,510	190,063
Total	69,941	88,060	105,777	188,321	193,844

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

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

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

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

Paragraph 3 Utilization of Reports by National Investigative Authorities

1 Public Prosecutors Office

Public Prosecutors Office uses STRs in cases sent by investigative authorities such as the police as well as in conducting its own secret investigation. STRs are useful in identifying further crimes and accomplices in combination with corroboration of statements by offenders and associated parties and identification of bank accounts suspected of use in crime. In addition, the utilization of STRs facilitates sustained monitoring of information on the movement of money related to Boryokudan and other specified organizations, enabling assessment of trends on organizations that are highly likely to be involved in crime.

2 Narcotics Control Department

The Health, Labour and Welfare Ministry's Narcotics Control Department utilizes STRs to assess the status of transfer of proceeds gained from narcotics-related crimes in narcotics smuggling cases, thereby facilitating drug crime investigations, including the arrest of offenders and confiscation of such proceeds.

3 Japan Coast Guard

Japan Coast Guard utilizes STRs to promote the prevention of organized smuggling of restricted items and immigrants.

It also utilizes foreign FIU information provided through JAFIC at its request for investigations into such smuggling organizations.

4 Customs

Customs maintains and shares a database of STRs. By referencing STRs with various types of information otherwise obtained by customs, customs can identify associations and apply said associations to investigations on Customs Act offenders. This strengthens initiatives to stop smuggling of items that pose a threat to public safety and security.

5 The Securities and Exchange Surveillance Commission (SESC)

SESC conducts investigations of potentially criminal cases with a view to criminal prosecution on malicious activity in the financial instrument trading sector, including fraudulent securities reports (fraudulent accounting) and insider trading, as well as market manipulation and other fraudulent means.

As part of the process of criminal investigation, SESC uses its own methods to identify and analyze relevant bank accounts or securities accounts that may be used in unfair trading. In addition, utilization of STRs helps to put the criminal cases in its proper light.

SESC also utilizes foreign FIU information provided through JAFIC at its request for investigations of its own.

Chapter 5

Crackdown on Money Laundering

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

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

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

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

Section 1 Arrests made for the violation of the Act on Prevention of Transfer of Criminal Proceeds in 2013

The Act on Prevention of Transfer of Criminal Proceeds stipulates penalties to ensure the effectiveness of supervisory mechanisms put in place by the competent administrative authorities over specified business operators and penalties on the trade of savings passbooks, and the police is enhancing its efforts to crack down on such practices. Numerous money laundering crimes involve the illicit use of savings passbooks in the name of another party. The number of arrests made for the illicit transfer of savings passbooks in 2013 was 1,605 (see Table 5-1).

Table 5-1 Number of punishments made under the Act on Prevention of Transfer of Criminal Proceeds

Category \ Year	2009	2010	2011	2012	2013
Transfer etc. of savings passbooks (business)	68	30	18	32	18
Transfer etc. of savings passbooks (non-business)	851	727	1,221	1,487	1,570
Soliciting	25	8	22	24	17
Violation of rectification orders	0	0	0	1	0
Total	944	765	1,261	1,544	1,605

Note: For actions committed before March 1, 2008, the amended Customer Identification Act applies.

Section 2 Cleared Cases of Money Laundering in 2013

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

1 Number of Cleared Cases

There were 272 cases cleared of money laundering under the Act on Punishment of Organized Crimes in 2013, consisting of 2 cases of management control through illicit proceeds, 171 cases of concealment of criminal proceeds (note), and 99 cases of receipt of criminal proceeds. (See Table 5-2)

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

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

Category \ Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Management Control through Illicit Proceeds (Article 9)	0 (0)	0 (0)	1 (0)	0 (0)	1 (1)	0 (0)	1 (0)	1 (0)	0 (0)	2 (0)
Concealment of Criminal Proceeds etc. (Article 10)	50 (29)	65 (21)	91 (18)	137 (35)	134 (41)	172 (49)	139 (46)	150 (43)	158 (27)	171 (35)
Receipt of Criminal Proceeds etc. (Article 11)	15 (11)	42 (27)	42 (35)	40 (25)	38 (21)	54 (41)	65 (44)	92 (38)	80 (28)	99 (40)
Total	65 (40)	107 (48)	134 (53)	177 (60)	173 (63)	226 (90)	205 (90)	243 (81)	238 (55)	272 (75)

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

Looking at the types of money laundering crimes under the Act on Punishment of Organized

Crimes, the number of theft cases was the highest at 74, followed by 65 cases of fraud, 29 cases of prostitution offences, 24 cases of illegal loaning and 14 cases of distribution of obscene material.

2 Modus Operandi of Money Laundering observed in Cleared Cases

(1) Management control with funds of illicit proceeds

All cases of management control through illicit proceeds in 2013 had fraud as the predicate offense. In these cases, offenders obtained the position of an originator when establishing stock companies with illicit proceeds (Note) gained through fraud and appointed themselves or people under their control as board directors of the companies by exercising their authority as the originator.

(Note) "Illicit proceeds" refers to proceeds from criminal activities, including drug-related ones, assets deriving therefrom and such assets mixed with other assets (Article 2(2)(i) and (iii) and Article 9 of the Act on Punishment of Organized Crimes and each item of Article 2(2) of the Anti-Drug Special Provisions Law.

[Case 1] Management control with funds of illegal proceeds generated through a fraudulent investment

Unemployed men obtained the position of an originator by making payments for shares issued at the time of the establishment of a stock company using ¥1 million yen out of some 350 million yen in cash defrauded on the pretext of investments in fictitious investment funds and appointed themselves as the representative board directors at the time of establishment by exercising their position as the originator. Subsequently, they implemented registration procedures for the company, thereby putting its establishment into effect, and appointed themselves as the representative board director. As a result, they were arrested for violating the Act on Punishment of Organized Crimes (management control through illicit proceeds) (Gunma, in August)

(2) Examples of Concealment of Criminal Proceeds

Instances of concealment of criminal proceeds in 2013 consisted largely of cases in which offenders attempted to transfer funds to bank accounts under the name of other persons. This is a major form of infrastructure used in money-laundering crimes.

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

[Case 2] Concealment of criminal proceeds related to the violation of the Money Lending Control Act

A few women engaging in loan sharking made borrowers remit a total of around ¥225 million in repayment to multiple accounts opened in the names of other parties. They were arrested for the violation of the Act on Punishment of Organized Crimes (concealment of criminal proceeds, etc.) (Iwate, in March)

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

A company employee and his wife stole around ¥16 million in cash from a season ticket counter of a railway station and concealed around ¥9.7 million of the total by burying the money underground in a forest. They were arrested for violating the Act on Punishment of Organized Crimes (concealment of criminal proceeds)(Saitama, in September). (Hyogo, in August)

[Case 4] Concealment of criminal proceeds related to a murder-rubbery case abroad

An unemployed man murdered a woman and stole around Hong Kong \$14 million in cash in the Special Administrative Region of Macau and arranged an acquaintance who was unfamiliar with the situation to exchange around HKD140,000 of the total into Japanese currency at a financial institution in Japan in the name of the said acquaintance. The offender was arrested for violating the Act on Punishment of Organized Crimes (concealment of criminal proceeds) (Saitama, in September).

(3) Examples of Receipt of Criminal Proceeds etc.

In the cases on receipt of criminal proceeds which were cleared in 2013, there are cases where offenders received criminal proceeds derived from fraud, prostitution and other crimes, which shows these criminal proceeds can be transferred to other individuals in diverse ways.

[Case 5] Receipt of stolen goods with compensation and receipt of criminal proceeds related to bank account trading

A man engaging in a civil engineering job solicited an acquaintance to purchase deposit passbooks. The acquaintance and others purchased several deposit passbooks defrauded from financial institutions for ¥60,000. The offenders were arrested on charges of purchasing stolen goods with compensation and for violating the Act on Punishment of Organized Crimes(receipt of criminal proceeds) (Nara, in January)

[Case 6] Receipt of criminal proceeds related to the violation of the Anti-Prostitution Act

A man engaging in a consulting job received around ¥3.3 million in cash from a man managing a sex parlor in the knowledge that the funds were proceeds from prostitution. The offender was arrested for violating the Act on Punishment of Organized Crimes (receipt of criminal proceeds) (Ibaraki, in October)

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

There were a total of 75 cases cleared of money laundering related to Boryokudan (including Boryokudan members, associates, and other related parties) in 2013, consisting of 35 cases of concealment of criminal proceeds, and 40 cases of receipt of criminal proceeds. This number accounts for 27.6% of all cases cleared of money laundering under the Act on Punishment of Organized Crimes in 2013.

In each type of cases of money laundering related to Boryokudan, there were 19 fraud and prostitution cases each, 7 loan-sharking cases and 6 habitual gambling and running a gambling place for profit cases. This indicates that Boryokudan commit money laundering by a variety of predicate offences.

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

Looking at the cases of concealment of criminal proceeds by Boryokudan in 2013, there were 9 fraud cases, 6 loan-sharking cases and 5 theft cases.

The most significant modus operandi is that criminal proceeds obtained by fraud or loan-sharking are concealed in a bank account opened in another party's name.

[Case 7] Concealment of criminal proceeds related to the violation of the Moneylending Control Act by members of Boryokudan, Godaime Kudo-kai)

Members of the Godaime Kudo-kai who were engaging in loan sharking arranged for borrowers to remit a total of around ¥5.8 million in repayment to multiple bank accounts made in the name of other parties. They were arrested for violating the Act on Punishment of Organized Crimes (concealment of criminal proceeds)

(Fukuoka, in February)

[Case 8] Concealment of criminal proceeds related to the violation of the Moneylending Control Act by associates of Boryokudan, Rokudaime Yamaguchi-gumi

Associates of Rokudaime Yamaguchi-gumi who were engaging in loan sharking commissioned a bank to collect bills received from borrowers as repayments and arranged for the remittance of a total of around ¥1.4 million in cash to multiple bank accounts made in the name of other parties. The offenders were arrested for violating the Act on Punishment of Organized Crimes (concealment of criminal proceeds) (Osaka, in August)

[Case 9] Concealment of criminal proceeds related to the violation of the Worker Dispatching Act by senior members of Boryokudan, Rokudaime Yamaguchi-gumi

Senior members of Rokudaime Yamaguchi-gumi who were engaging in the temporary staffing business sent temporary workers to do construction work, which such workers are not allowed to do, and arranged for them to remit a total of around ¥20.5 million in wages to a bank account made in the name of another party. The offenders were arrested for violating the Act on Punishment of Organized Crimes (concealment of criminal proceeds) (Shizuoka, in October)

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

Cleared cases of receipt of criminal proceeds by Boryokudan in 2013 consisted of 16 prostitution cases, 10 fraud cases and 5 habitual gambling and running a gambling place for profit cases.

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

[Case 10] Receipt of criminal proceeds, etc. related to the violation of the Anti-Prostitution Act by senior members of Boryokudan, Rokudaime Yamaguchi-gumi

Senior members of Rokudaime Yamaguchi-gumi received a total of around ¥16 million in contributions from a managed prostitution organization in the knowledge that the funds were proceeds from underage prostitution. The offenders were arrested for violating the Act on Punishment of Organized Crimes (receipt of criminal proceeds, etc.)

(Fukuoka and Oita, in May)

4 Money Laundering conducted by Foreign Visitors to Japan

In cleared cases of money laundering under the Act on Punishment of Organized Crimes in 2013, there were 21 cases related to foreign visitors to Japan, representing 7.7% of all cases.

Looking at these 21 cases, there were 11 cases of concealment of criminal proceeds and 10 cases of receipt of criminal proceeds. Looking at the predicate offences, there were 6 cases of computer fraud, and 4 cases each of fraud and counterfeiting of brands. It can be seen that criminals of foreign nationalities operating in Japan use various methods to carry out money laundering, including the use of bank accounts in Japan made in the names of other parties.

[Case 11] Concealment of criminal proceeds related to computer fraud

A man from the Republic of Sierra Leone who is a spouse of a Japanese national and who manages a restaurant, together with others, used a credit card of a drunken customer of the restaurant to make payments for falsified eating and drinking expenses and arranged for the remittance of around ¥360,000 in revenue to a bank account made in the name of another party via a credit card company. The offenders were arrested for violating the Act on Punishment of Organized Crimes (concealment of criminal proceeds)

(Tokyo Metropolitan Police Department, in May)

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

The total number of cleared cases of money laundering under the Anti-Drug Special Provisions Law in 2013 was 10 (see Table 5-3).

In some cases, money laundering is artfully committed for funds acquired through drug offences such as smuggling of stimulants, in which purchasers' payments are deposited into a bank account under the name of another party (Case 12)

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

Table 5-3 Number of arrests made for money laundering under the Anti-Drug Special Provisions Law

Category \ Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Concealment of drug-related criminal proceeds etc. (Article 6)	5 (3)	3 (2)	5 (3)	5 (4)	10 (4)	5 (1)	8 (4)	8 (3)	8 (2)	6 (6)
Receipt of drug-related criminal proceeds etc. (Article 7)	0 (0)	2 (2)	5 (2)	2 (1)	2 (1)	5 (3)	1 (1)	0 (0)	3 (2)	4 (4)
Total	5 (3)	5 (4)	10 (5)	7 (5)	12 (5)	10 (4)	9 (5)	8 (3)	11 (4)	10 (10)

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

[Case 12] Concealment of criminal proceeds related to broad-area trafficking of stimulants by persons associated with Boryokudan, Soai-kai

A man who is a trafficker of stimulants and who is related to Soai-kai engaged in trafficking of stimulants using a door-to-door parcel delivery service. He arranged for a customer to remit around ¥3.1 million in payment for stimulants to a bank account made in the name of another party. He was arrested for violating the Anti-Drug Special Provisions Law (concealment of drug-related criminal proceeds) (Okayama, in January)

Section 3 Temporary Restraining Order for Confiscation of Criminal Proceeds before Institution of Prosecution in 2013

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

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

The number of "Temporary Restraining Orders" issued under the Act on Punishment of Organized Crimes in 2013 (on the request of judicial police officers) was 160, the largest number since the enforcement of the Act in 2000 (see Table 5-4).

A breakdown of this figure by type of offence includes 37 cases of unlicensed entertainment business, 32 cases of prostitution offences, 25 cases of habitual gambling and running a gambling place for profit, 12 cases of fraud, and 11 cases of loan-sharking offences.

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

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
7 (5)	8 (0)	9 (3)	21 (7)	44 (21)	54 (23)	70 (36)	101 (30)	148 (39)	160 (54)

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

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

Year	Total amount of credit	Others
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 currency US\$750
2010	¥160,597,150	Land 605.95㎡, Building 1, Passenger vehicles 2, Necklace 1
2011	¥134,764,985	
2012	¥3,380,337,707	Light vehicle 1, Passenger vehicle 1, Condominium 1 unit
2013	¥362,399,577	Land 522.64㎡, Passenger vehicle 1

From 2007 onward, the number of the Orders has increased substantially year by year. One of the reasons for this trend is that "Confiscation and Collection of Equivalent Value of the Crime Victim Property" related to crimes such as fraud, loan sharking offences and theft, which had not been subjects to be confiscated or collected, are now available due to the amendment of the Act on Punishment of Organized Crimes in December 2006. Another reason for the trend is that unauthorized adult entertainment business and unlicensed banking business were added to the predicate offences and the range of assets subject to confiscation increased in July 2011. Therefore the opportunities to apply the procedures for "Temporary Restraining Order" specified in the Act are expected to increase in the future. The system of "Temporary Restraining Orders" under the Act on Punishment of Organized Crimes which allows the confiscation of criminal proceeds is an effective measure. The police, in good coordination with the public prosecutor's office, will use the system effectively and prevent criminal organizations from using criminal proceeds.

The police will actively make use of "Temporary Restraining Orders" in order to ensure the enforcement of confiscation orders for the purpose of the recovery of crime victim property by the public prosecutor under the "Act on the Provision of Compensation for Crime Victim Property etc."

"Temporary Restraining Orders" issued in 2013 include numerous orders against unlicensed entertainment business. Orders were also issued for pecuniary claims for the following,

which under the Act on Punishment of Organized Crime are subject to confiscation: claims on deposits, rights to claim unpaid funds, and claims on advance payment on behalf of a third party.

[Case 13] Temporary restraining order against proceeds related to the violation of the Anti-Prostitution Act (provision of funds, etc.) and violation of the Act on Punishment of Organized Crimes(receipt of criminal proceeds, etc.)

A company executive provided a building to a man managing a massage parlor and received around ¥33 million on the pretext of rents in the knowledge that the funds were proceeds from prostitution. As a result, a temporary restraining order was issued against around ¥4.3 million in deposits, which was part of the proceeds deposited in the man's bank account. (Gifu, in April)

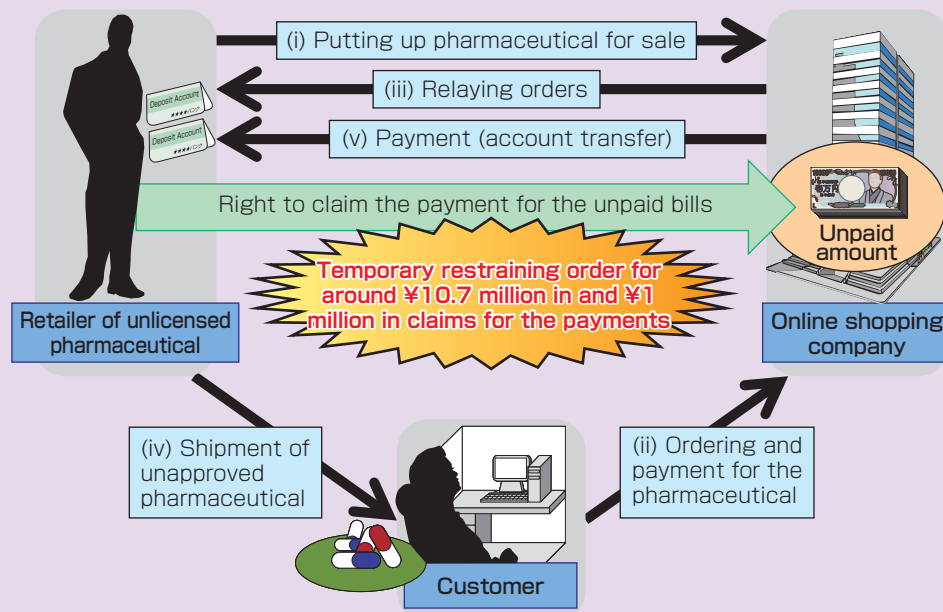
[Case 14] Temporary restraining order against embezzled money in a corporate embezzlement case

A male company executive who was a former senior member of Boryokudan, Godaime Yamaguchi-gumi and who was the representative of a non-profit organization (NPO) providing meals and boarding facilities to persons receiving public assistance, in conspiracy with others, including his wife, embezzled around ¥4.2 million in deposits entrusted by residents of a boarding facility managed by a company commissioned by the NPO and deposited parts of the embezzled funds into his wife's bank account. As a result a temporary restraining order was issued against around ¥400,000 of the deposits.

(Saitama, in May)

[Case 15] Temporary restraining order against proceeds gained in a case of violation of the Pharmaceutical Affairs Act (sale of unapproved pharmaceuticals on a regular basis)

A self-employed man sold an unapproved pharmaceutical to treat erectile dysfunction via the Internet without obtaining permission for opening a pharmacy or selling pharmaceuticals. As a result, a temporary restraining order was issued for around ¥10.7 million in deposits which were derived from the sale of the unapproved pharmaceutical, and ¥1 million in claims for the payments were to be made by an online shopping company.



(Kyoto, in June)

[Case 16] Temporary restraining order against revenue related to the violation of the Adult Entertainment Business Act (unlicensed operation)

Men managing an exclusive bar who were former senior members of Rokudaime Yamaguchi-gumi made female employees entertain guests without obtaining a license. As a result, a temporary restraining order was issued for around ¥900,000 in cash, which was revenue from the bar, and around ¥3 million in deposits deposited in the bar's bank account.

(Aichi, in August)

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

The number of Temporary Restraining Orders issued under the Anti-Drug Special Provisions Law in 2013 was 4 (see Table 5-5).

For example, a Temporary Restraining Order was issued against proceeds (cash and claim on deposits) obtained from trafficking of stimulant drugs which were sold illegally (Case 17).

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

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
5 (2)	8 (5)	3 (2)	4 (3)	7 (5)	8 (5)	13 (7)	14 (4)	16 (8)	4 (4)

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

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

Year	Total amount of credit	Others
2004	¥67,440,983	
2005	¥92,619,024	
2006	¥10,432,915	
2007	¥45,032,829	
2008	¥23,344,267	
2009	¥29,215,674	
2010	¥33,591,421	Traveler's check US\$11,500, Necklace 1, Watches 2, Passenger vehicle 1
2011	¥11,678,611	Foreign currency US\$5,000, Passenger vehicles 3, Key 1
2012	¥30,026,428	
2013	¥19,985,691	

[Case 17] Temporary restraining order against drug-related criminal proceeds, etc., related to organized trafficking of stimulants

Based on information provided by an abuser of stimulants, a stimulant trafficking organization comprised of members of the Inagawa-kai gangster organization was identified and suspects were arrested for violating the Stimulants Control Act (sale for profit, etc.). As a result, a temporary restraining order was issued for around ¥1.3 million in cash gained by the suspects from trafficking of stimulants and around ¥80,000 in deposits.

(Hokkaido, in March)

Section 4 Application of Provisions of Confiscation and Collection of Equivalent Value in 2012

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

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

Table 5-6 Statistics of the application of Provisions of Confiscation and Collection of Equivalent Value under the Act on Punishment of Organized Crimes in general first trials

Year	Confiscation		Collection		Total	
	Persons	Amount	Persons	Amount	Persons	Amount
2008	40	335,721	79	560,791	119	896,512
2009	98	105,774	129	3,414,672	227	3,520,446
2010	54	81,136	101	1,445,143	155	1,526,280
2011	93	60,899	93	819,683	186	880,582
2012	88	115,756	56	924,627	144	1,040,384

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

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

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

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

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

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

Table 5-7 Statistics of the application of Provisions of Confiscation and Collection of Equivalent Value under the Anti-Drug Special Provisions Law in general first trials

Year	Confiscation		Collection		Total	
	Persons	Amount	Persons	Amount	Persons	Amount
2008	61	93,695	362	1,391,545	423	1,485,240
2009	68	34,087	350	1,428,732	418	1,462,820
2010	46	27,660	328	1,260,916	374	1,288,576
2011	69	21,277	273	850,882	342	872,160
2012	63	20,852	241	361,862	304	382,714

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

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

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

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

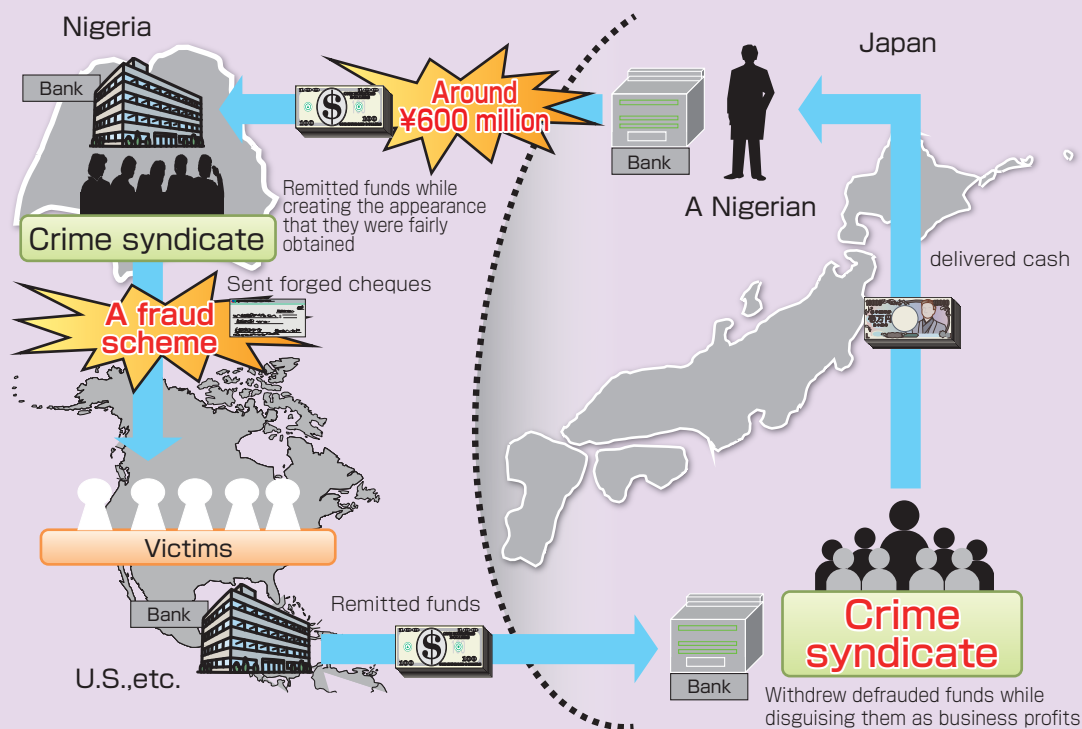
Section 5 Cases of Cross-Border Money Laundering

By moving funds between bank accounts of several different financial institutions, offenders create the appearance that proceeds from crimes were obtained fairly. It is common practice for criminals to take steps across borders to conceal the true origin of funds and the true owner.

[Case 18] Concealment of criminal proceeds, etc., related to an international large-scale fraud scheme operated by a Boryokudan crime syndicate and a Nigerian crime syndicate

A Nigerian crime syndicate engaged in a fraud scheme using forged cheques in the United States, in which cheated people remitted funds into accounts of members of a Boryokudan crime syndicate. When completing the withdrawal procedures, the Boryokudan members submitted transaction sheets with the false statement that the funds were paid for products, thereby disguising the defrauded funds as legitimately-earned business profits. The Boryokudan members and Nigerians involved were arrested for violating the Act on Punishment of Organized Crimes (concealment of criminal proceeds). The funds defrauded by the Nigerian crime syndicate were transferred via the Boryokudan crime syndicate to a Nigerian who was a resident in Japan and who undertook the remittance of funds out of Japan. The Nigerian remitted a total of around ¥600 million in 45 installments from Japan to Nigeria through such means as remittance from an account opened in Japan to an account at an overseas bank.

(Niigata/Metropolitan Police Department, in May)



Chapter 6

Promotion of International Cooperation

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

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

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

Section 1 Activities of International Institutions

Paragraph 1 FATF

1 FATF

The FATF is an intergovernmental body established following the "Economic Declaration" of the 1989 Arge Summit Communique to promote international cooperation on AML measures. After the September 11th US terrorist attacks of 2001, the FATF has also taken the initiative in the promotion of international CFT measures.

The FATF has 34 member jurisdictions (including Japan) and 2 international institutions as of December 2013.

2 Activities

(1) Main Activities

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

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

(2) FATF Recommendations

a) FATF 40 Recommendations

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

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

The “40 Recommendations” contained following additional elements (see Figure 6-1).

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

b) FATF 9 Special Recommendations

In October 2001, a month after the September 11th US terrorist attacks, the FATF held an Emergency Session. The agreement of the session was reflected in “the Special Recommendations.” Since the FATF added a new recommendation on “cash couriers” to this in October 2004, it is now called “the 9 Special Recommendations on Terrorist Financing.” Main components of the 9 Special Recommendations are as follows (See Table 6-1):

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

c) The new “40 Recommendations”

The FATF had considered revision of its 40 Recommendations and 9 Special Recommendations in preparation for its fourth Mutual Evaluation, and integrated these two Recommendations into its new “40 Recommendations” in February 2012.

The major points which are newly included to the new “40 Recommendations” are summarized as follows (see Table 6-2).

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

(3) Mutual Evaluation

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

viewpoints such as law, regulation or control regime for anti-money laundering, and investigation of money laundering crime. In the context of the procedures regulated by the FATF, those countries subject to assessment, which have received at least one PC (partially compliant) or NC (non-compliant) in the core recommendations (Recommendations 1, 5, 10, and 13 and Special Recommendations II and IV) are subject to the regular follow-up process, and they must periodically report the progress of improvement and overall statistics at Plenary Meetings.

And in the case where the Plenary agrees that the assessed countries have implemented 16 Recommendations (in addition to 6 core Recommendations, Recommendation 3, 4, 23, 26, 35, 36, 40 and Special Recommendation I, III, V) at a level essentially equivalent to a C (compliant) or LC (largely compliant), the countries will be removed from the follow-up process. Countries subject to assessment are encouraged to make necessary improvements and to seek removal from the follow-up process within three years after the adoption of Mutual Evaluation.

3 Mutual Evaluation of Japan

In addition to Mutual Evaluations conducted by the FATF in 1994 and 1998, more recently a third Review was implemented over the latter half of 2007 through the latter half of 2008. JAFIC worked together with related government agencies on the Reviews.

(1) Implementation of the Third Mutual Evaluation

The main process and procedure of the FATF Mutual Evaluation of assessed countries are as follows:

1. Response to the Mutual Evaluation Questionnaire (MEQ),
2. On-site visit to directly confirm the actual status of countries subject to assessment 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 Evaluation was concluded.

(2) Overview of the Third Round Mutual Evaluation

For each of 40 Recommendations and 9 Special Recommendations, there are four possible levels of compliance: C (Compliant), LC (Largely Compliant), PC (Partially Compliant) and NC (Non-Compliant). As shown in Table 6-1, Japan was rated at C for 4 Recommendations, LC for 19, PC for 15, and NC for 10 (besides these Recommendations, there was one that was not applicable to Japan (N/A)).

With regard to the evaluation of FIU of Japan, the relevant recommendation (Recommendation 26) was rated at LC, referring to that much more human resources should have been allocated while the institutional change where all FIU functions were transplanted from the Financial Services Agency to the National Public Safety Commission/the National Police Agency was positively taken.

As for the recommendation regarding customer due diligence (CDD) by financial institutions (Recommendation 5), the mutual evaluation report pointed out that the measures

such as verification of the beneficial owner and purpose of transaction, and ongoing due diligence, should be directly regulated by laws or regulations, or other enforceable means, and the additional customer identification methods should be introduced in case of identifying a customer without a photo ID (Rating: NC) (see Figure 6-1).

Since the results of every evaluation are to be published, the third round mutual evaluation report of Japan is also on the FATF website (<http://www.fatf-gafi.org/>) and the Ministry of Finance website (http://www.mof.go.jp/international_policy/convention/fatf/fatfhoudou_201030.htm).

(3) Follow-up of the Third Round Mutual Evaluation

Regular Follow-up procedures were applied to Japan as Recommendation 5 and Special Recommendation II were rated NC or PC. Since the Mutual Evaluation, Japan has been actively making efforts to remedy the deficiencies identified in the Mutual Evaluation Report by, for instance, holding “the Related Ministry Liaison Conference regarding Implementation of the FATF Recommendations”.

Especially with regard to the deficiency related to CDD which was rated NC, it was significantly improved by imposing obligations regarding verification of the purpose of transactions, the beneficial owner and other matters after the full enforcement of the amended Act on Prevention of Transfer of Criminal Proceeds in April 2013, following its promulgation in April 2011. With regard to this progress, follow-up reports have been submitted to the FATF Plenary Meeting seven times, in October 2010, October 2011, June 2012, October 2012, February 2013, June 2013, and October 2013. That reporting will be continued to update progress made at that time.

(4) Start of the Fourth Round FATF Mutual Evaluation

Following the completion of the new version of “the 40 Recommendations” in 2012, the assessment methodology was also consolidated in February 2013. Accordingly, the fourth round FATF Mutual Evaluation started in the same year (the implementation period of the Mutual Evaluation of Japan has not been determined yet).

4 JAFIC's Participation

As one of the founding members of the FATF, Japan has been a very active contributor to its work since its establishment in 1989.

Japan had participated in tri-annual Plenary Meetings and working groups which conduct analysis of money laundering typologies, and chaired the plenary between July 1998 and June 1999. Since JAFIC started to take the responsibility as Japan FIU, it has continued robust efforts even more, to lead the global AML/CFT standard setter to a better way at every meeting of the Plenary or working group.

FATF Plenary Meeting (France)



Table 6-1 Overview of the “40 Recommendations” and “9 Special Recommendations,” and Results of the Third FATF Mutual Evaluation of Japan

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

Note: Evaluation levels are as follows:

C: Compliant, LC: Largely Compliant, PC: Partially Compliance, NC: Non-compliant, N/A: Not applicable.

Table 6-2 Overview of the New “40 Recommendations”

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

Note: “New Recommendation” refers to the New “40 Recommendations,” while “Old Recommendations” indicates the numbers of the old “40 Recommendations” and the “9 Special Recommendations.” The Arabic numbers under the “Old Recommendations” refer to the “40 Recommendations,” while the Greek numbers are the Recommendation numbers for the “9 Special Recommendations.” “-” indicates a new Recommendation.

Paragraph 2 APG

1 APG

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

As of the end of December 2013, the APG consists of 41 jurisdictions, including Japan.

2 Activities

The main activities of the APG are as follows.

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

3 JAFIC's participation

Japan is one of the founding members of the APG and has been actively contributing to the activities of the APG, much as it has with the FATF. For example, the first Plenary Meeting and second typology meeting were both held in Tokyo in March 1998 and March 1999 respectively. Japan took on the co-chair with Australia between July 2004 and June 2006. Since its establishment, JAFIC has continued to work on the APG and join many discussions on policy making or typology studies especially the latest ML/TF trend being looking at from FIU's perspective.

APG Typology Meeting (Mongol)



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 on information exchange, trainings and expertise between FIUs around the world engaging in AML measures. The group is named after the Egmont castle in Belgium where the first plenary session was held. Although the Egmont Group was established as an informal forum at the beginning, it has become an internationally recognized official body at present, through the adoption of the Egmont Group Charter at the May 2007 annual plenary in Bermuda and the

establishment of its permanent Secretariat in Toronto, Canada.

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

The Egmont Group consists of FIUs of 139 jurisdictions as of the end of December 2013.

2 Activities of the Egmont Group

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

1. The Legal Working Group (LWG) reviews the candidacy of potential members and handles all legal aspects and matters of principle within Egmont members.
2. The Outreach Working Group (OWG), 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
3. The Training Working Group (TWG) develops training methods for FIU personnel, and conducts training seminars for Egmont members as well as for non-Egmont jurisdictions.
4. The Operational Working Group (OpWG) seeks to bring FIUs together on typologies development and long-term strategic analytical project.
5. The IT Working Group (ITWG) provides advice and research analysis support software for IT systems of the new and existing FIUs.

3 JAFIC's Participation

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

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

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

JAFIC, which took over the functions of Japan FIU from JAFIO in April 2007, was granted

Egmont Group Meeting (South Africa)



the Egmont Group membership as the new Japan FIU at the 15th Plenary Meeting held in Bermuda in May 2007.

After joining the Egmont Group, JAFIC has sent its members to both the annual meetings and working groups to participate in the discussions on the principles related to information exchange between FIUs and other matters.

Moreover, JAFIC has taken over the role of sponsor FIU for the FIU of Myanmar in the application procedures into the Egmont Group from JAFIO and accepted the role of sponsor FIU for Pakistan FIU (in co-sponsorship with the U.S. FIU) at the request of the Egmont Group in 2011. In 2012, JAFIC sent staff members to Pakistan for a joint onsite survey with an U.S. FIU staff member regarding Pakistan FIU's membership qualification.

Section 2 Progress of the International Cooperation in 2013

Paragraph 1 Participation in the Activities of International Organizations

Table 6-3 presents that JAFIC has been actively participating in the activities of international organizations by sending its members to each occasion.

Table 6-3 Participation in the Activities of International Organizations in 2012

	Month	Name of meeting	Location
FATF	February	Plenary Meeting	Paris (France)
	June	Plenary Meeting	Oslo (Norway)
	October	Plenary Meeting	Paris (France)
APG	July	Annual Meeting	Shanghai (China)
	August	Workshop	Seoul (Korea)
	September	Typology Meeting	Ulan Bator (Mongol)
Egmont Group	January	Working Group	Ostende (Belgium)
	July	Annual Meeting	Sun City (South Africa)

Paragraph 2 Information Exchange with Foreign FIUs

1 Establishment of the Framework for Exchange of Information

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

On the other hand, Article 13 of the Act on Prevention of Transfer of Criminal Proceeds stipulates that the National Public Safety Commission (for which JAFIC serves as a secretariat)

may disseminate information on suspicious transactions to foreign FIUs on condition that there is a framework governing the restrictions on the use of the disclosed information in foreign countries.

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

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 2013, JAFIC has set the frameworks for information exchange with the FIUs of 70 jurisdictions. (See Table 6-4).

Establishment of Framework with
Turkmenistan FIU



Establishment of Framework with
Seychelles FIU

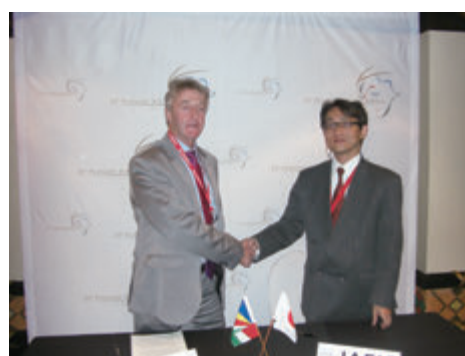


Table 6-4 [Countries and regions with which JAFIC has set the Frameworks for Information Exchange between FIUs]

Year of Agreement	Countries and Regions
2007	Hong Kong, Thailand, Malaysia, Belgium, Australia, U.S., Singapore, Canada, Indonesia, U.K., Brazil, Philippines
2008	Switzerland, Italy, Portugal, Korea, Romania
2009	Paraguay, France, Qatar
2010	Turkey, Mexico, Luxembourg, Chile, Finland, India
2011	Nigeria, China, Cambodia, Macau, Cyprus, Argentina, Spain, San Marino
2012	Montenegro, Netherlands, Germany, Cayman Islands, Czech, Mongolia, Aruba, Colombia, Lebanon, Sweden, Peru, Armenia
2013	British Virgin Islands, Malta, Israel, Bermuda, Liechtenstein, Bangladesh, Sri Lanka, Denmark, Bolivia, Russia, Slovenia, Seychelles, Senegal, Costa Rica, Bahrain, Latvia, Vietnam, Turkmenistan, Poland, Isle of Man, Jersey, Guernsey, New Zealand, Nepal

2 Status of Information Sharing

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

JAFIC has strengthened the systems of analysis and as a result, there is greater sharing of information with foreign FIUs.

In 2013 regarding strange or unreasonable money transfers to and from foreign countries, which analyses on information of suspicious transaction have revealed, JAFIC, for further analysis, made 159 requests to relevant foreign FIUs for information such as the flow of funds transferred out of Japan, the source of remittance from abroad etc.

In addition to these requests for information, FIUs in various countries are voluntarily exchanging information which are considered beneficial in preventing ML/TF.

The number of cases where JAFIC exchanged information with foreign FIUs in 2013 totaled 281, was the largest ever (See Table 6-5).

Table 6-5 Number of information sharings between JAFIC and foreign FIUs

Category \ Year	2009	2010	2011	2012	2013
Number of requests for information from foreign FIUs to JAFIC	47	54	63	53	73
Number of requests for information from JAFIC to foreign FIUs	51	78	136	100	159
Number of spontaneous disclosure from foreign FIUs to JAFIC	18	23	18	29	28
Number of spontaneous disclosure from JAFIC to foreign FIUs	6	7	16	9	21
Total	122	162	233	191	281

3 Discussions

In order to facilitate exchange of information, JAFIC has carried out various activities such as learning how foreign FIUs analyze information and how foreign investigative authorities utilize the funds information etc. JAFIC has also conducted discussions, for the activation of future exchange of information, by visiting FIUs of jurisdictions where there is a need for close coordination especially from the viewpoint of countermeasures against ML/TF, as well as FIUs of other jurisdictions where there still is no framework for information exchange.

The following presents the discussions held with foreign FIUs and international organizations in 2013:

February: Information sharing session with Macau FIU (Macau)

March: Information sharing session with Thailand FIU (Bangkok)

Information sharing session with Sri Lanka FIU (Colombo)

Discussion with Seychelles FIU (Victoria)

- Discussion with Russia FIU (Moscow)
- Information sharing session with Denmark FIU (Copenhagen)
- May: Discussion with Brunei FIU (Tokyo)
- June: Discussion with Costa Rica FIU (San Jose)
- Discussion with Panama FIU (Panama City)
- Discussion with Vietnam FIU (Hanoi)
- Discussion with Nepal FIU (Kathmandu)
- August: Information sharing session with Bahrain FIU (Manama)
- Information sharing session with Thailand FIU (Tokyo)
- September: Information sharing session with Turkmenistan FIU (Tokyo)
- November: Information sharing session with Isle of Man FIU (Douglas)
- Information sharing session with Jersey FIU (Saint Helier)
- Information sharing session with Guernsey FIU (St. Peter Port)
- December: Information sharing session with Germany FIU (Wiesbaden)
- Information sharing session with China FIU (Beijing)

Information sharing session with Macau FIU



Information sharing session with Sri Lanka FIU



Information sharing session with Jersey FIU



Information sharing session with China FIU





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