



Japan Financial Intelligence Center (JAFIC) Annual Report

2015

JAFIC

Japan Financial Intelligence Center

Introduction

The Act on Prevention of Transfer of Criminal Proceeds, which was adopted in 2007, has encouraged specified business operators prescribed by the same act to make efforts to fight against anti-social forces and implemented stringent monitoring of their financial and other economic activities. As a result, the number of suspicious transaction reports (STRs) filed by specified business operators with the competent administrative authority in 2015 exceeded 390,000. It was the largest ever. The National Public Safety Commission and the National Police Agency collect, arrange and analyze STRs filed by specified business operators and disseminate them to interested investigative authorities as necessary. The number of cases in which STRs led the Prefectural Police to arrests was a record high. STRs are still a valuable source of information used by investigative authorities in countering organized crime including money laundering and other crimes.

As globalization of the economy and financial services is spreading remarkably today, international cooperation is essential for the fight against global-scale money laundering. Under the recommendations devised by the Financial Action Task Force (FATF, an intergovernmental body concerning Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) measures) as international standards, competent government authorities take effective measures against money laundering in unison. Japan also has been carrying out necessary legislative work. As a result, relevant amended orders and ordinances associated with the enforcement of the Act to partially amend the Act on Prevention of Transfer of Criminal Proceeds, which was promulgated in November 2014, were promulgated in September 2015 and are scheduled to be put into force in October 2016 together with the amended act.

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

The status of AML/CFT measures has been published in this report each year, and the publication of the national risk assessment report, which describes the risk level of each type of transaction conducted by specified business operators, started last year. 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.

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)
Violation of the Investment Deposit and Interest Rate Act	Act Regulating the Receipt of Contributions, the Receipt of Deposits, and Interest Rates (Act No. 195 of June 23, 1954)
Act on Recycling, etc. of End-of-Life Vehicles	Act on Recycling, etc. of End-of-Life Vehicles (Act No. 87 of 2002)
Worker Dispatching Act	Act for Securing the Proper Operation of Worker Dispatching Undertakings and Protecting Dispatched Workers (Act No. 88 of 1985)
Amusement Business Act	Act on Control and Improvement of Amusement Business, etc. (Act No. 122 of 1948)

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 (Con-

	vention No. 6 of 1992)
G8 Action Plan Principles.....	G8 Action Plan Principles to prevent the misuse of companies and legal arrangements (Agreed at G8 Summit in Lough Erne in June 2013)
Japan Action Plan.....	Japan Action Plan to prevent the misuse of companies and legal arrangements (Announced in June 2013)

3 Others

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

[Terms]

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

Judicial scrivener: Judicial scrivener corporations are included.

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

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

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

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Chapter 1

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

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

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

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

Section 1 AML/CFT Efforts in the International Community

1 Anti-Money Laundering as a Countermeasure against Narcotic Drugs

Through the 1980s, the global spread of narcotics abuse was taken as a crisis in the international community, prompting a variety of initiatives 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 different countries, the FATF devised "The 40 Recommendations", as standards for anti-money

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

2 Anti-Money Laundering as a Countermeasure against Organized Crime

In the 1990s, the international expansion of organized crime was recognized as a phenomenon which could threaten each country's security, and therefore an international convention against international organized crimes was considered mainly by the United Nations. At the Halifax Summit in June 1995, it was pointed out that effective measures to prevent the concealing of proceeds not only from drug-trafficking but also from any other serious crimes were also necessary for successful countermeasures against transnational organized crimes. In accordance with these movements, the FATF revised, in June 1996, a part of "The 40 Recommendations," and recommended that, besides drug crimes, the scope of predicate 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 and analyzing information reported by financial institutions and providing such information to the competent authorities to support the government's anti-money laundering measures; it shows a way for exchanging information that is important for law enforcement agencies."

3 Countermeasures Against Terrorist Financing

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

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

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

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

4 Countermeasures Against Changing Money Laundering Trend

In accordance with development of 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 40 Recommendations and 9 Special Recommendations were integrated and upgraded as the new 40 Recommendations in order to properly address the proliferation of weapons of mass destruction as well as additional threats of corruption including bribery by public officials and appropriation of property.

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

Section 2 AML/CFT in Japan

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

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

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

The first FATF mutual evaluation of Japan in 1994 recommended remedial actions to be taken for the limited scope of predicate 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 ineffectiveness 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 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 the US in 2001, “the Act on the Punishment of Financing of Offences of Public Intimidation” was enforced in July 2002 as a domestic law to join “the International Convention for the Suppression of the Financing of Terrorism” (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 offence.

es. Moreover, terrorist funds were stipulated as criminal proceeds, which means that assets suspected of terrorist funds are now subject to reporting as suspicious transactions. Also, to implement the obligations of customer identification and record keeping required under the said Convention and the 40 Recommendations, “the Act on Customer Identification by Financial Institutions (Customer Identification Act)” was adopted (enforced in Jan. 2003). Because of frequent abuse of bank accounts under other or fictitious names for 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 in 2008, and in light of damages caused by billing fraud in Japan, the following amendments were made to the Act on Prevention of Transfer of Criminal Proceeds: additional points to verify on transactions of specified business operators; addition of call forwarding service providers to the list of specified business operators; addition of measures for accurate verification at the time of transactions; and strengthening punishments on illicit transfer of passbooks, etc. The amended act was fully enforced in April 2013.

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

Moreover, in November 2014, based on debates about institutional reforms intended to achieve the levels required by the FATF recommendations concerning customer due dili-

gence, a bill for partial amendment of the Act on Prevention of Transfer of Criminal Proceeds was enacted. The amended bill included provisions for clarification of the judgment method of suspicious transactions, strict verification at the time of the conclusion of correspondence contracts and expansion of the obligation for business operators to make efforts to develop necessary systems.

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)	
July 1989	Arch Summit (Establishment of the FATF (Financial Action Task Force on Money Laundering))	
April 1990	FATF issued the 40 Recommendations - Customer identification by financial institutions - Reporting of suspicious transactions to financial regulatory authorities	
June 1994	First FATF mutual evaluation of Japan - Recommendations made concerning scope of predicate offences for money laundering that targeted only drug crimes	
June 1995	Halifax Summit (Confirmation of the need for extending the scope of predicate offences to serious crimes)	
June 1996	FATF revised the 40 Recommendations - Extending the scope of predicate offences to serious crimes became compulsory.	
May 1998	Birmingham Summit (Agreement on establishment of FIU)	
December 1999	Adoption of the International Convention for the Suppression of the Financing of Terrorism (criminalization of terrorist financing and collection of funds for terrorism became compulsory)	
September 2001	Terrorist attacks in the US	
October 2001	FATF issued its 8 Special Recommendations - Criminalization of terrorist financing, reporting of suspicious transactions related to terrorism	
June 2003	FATF re-revised the 40 Recommendations - Application of recommendations to non-financial businesses (real estate agents, dealers in precious metals, dealers in precious stones, etc.) and professions (lawyers, accountants, etc.)	
October 2004	FATF revised its 8 Special Recommendations to make 9 Special Recommendations - Measures were added to prevent physical movement of funds across border	
October 2008	FATF announced the results of the Third Mutual Evaluation of Japan - Nine categories, including CDD, were given the "NC" rating	
February 2012	FATF revised its 40 Recommendations and 9 Special Recommendations - FATF integrated both into New 40 Recommendations	
June 2013	Lough Erne Summit (Agreed on the G8 Action Plan Principles)	
June 2014	FATF announced a statement on Japan - FATF requested Japan to take prompt response to insufficient parts of the AML/CFT measures.	
		June 1990 The Ministry of Finance issued an order to financial Organizations (requiring financial institutions to verify customer identity)
		July 1992 Enforcement of the Anti-Drug Special Provisions Law (Criminalization of money laundering related to drug crimes, establishment of suspicious transaction reporting system)
		February 2000 Enforcement of the Act on Punishment of Organized Crimes (Expansion of scope of predicate offences to include other serious crimes, establishment of Japanese FIU at the Financial Supervisory Agency)
		July 2002 Enforcement of the Act on Punishment of Financing of Offences of Public Intimidation and the revised Act on Punishment of Organized Crime (addition of terrorist funding and collection etc. to list of predicate offences)
		January 2003 Enforcement of the Customer Identification Act (Obligation of customer identification by financial institutions etc. is legislated.)
		December 2004 Enforcement of the amended Act on Customer Identification by Financial Institutions (Punishment on illicit transfer of passbooks was established.)
		December 2004 The Headquarters for the Promotion of Measures Against Transnational Organized Crime and International Terrorism decided on the Action Plan for Prevention of Terrorism.
		November 2005 The Headquarters for the Promotion of Measures Against Transnational Organized Crime and International Terrorism decided on the development of laws for implementation of the FATF Recommendations
		March 2007 Adoption of the Act on Prevention of Transfer of Criminal Proceeds
		April 2007 Partial enforcement of the Act on Prevention of Transfer of Criminal Proceeds Transfer of the function of FIU (from the Financial Services Agency to the National Public Safety Commission/the National Police Agency)
		March 2008 Full enforcement of the Act on Prevention of Transfer of Criminal Proceeds (Enforcement of the customer identification obligation etc. to DNFBPs)
		April 2011 Adoption of the amended Act on Prevention of Transfer of Criminal Proceeds (Addition of matters to be verified during transactions, addition of measures to ensure accuracy of verifications during transactions, addition of more specified business operators, strengthening of punishments on illicit transfer of passbooks, etc.)
		April 2013 Full enforcement of the Act on Prevention of Transfer of Criminal Proceeds
		June 2013 Release of the Japan Action Plan
		November 2014 Adoption of the amended Act on Prevention of Transfer of Criminal Proceeds (provisions for clarification of the judgment method of suspicious transactions, strict verification at the time of the conclusion of correspondence contracts and expansion of the obligation for business operators to make efforts to develop necessary systems)

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

1 History of FIU in Japan

In other countries as well, there are organizations equivalent to the Japan Financial Intelligence Center, which are usually called FIUs. Egmont Group, established in 1995 as a forum for exchanging information between FIUs, defines an FIU as a “central, national agency responsible for receiving and analyzing information reported by financial institutions and providing such information to the competent authorities to support the government’s anti-money laundering measures; it shows a way for exchanging information that is important for law enforcement agencies.”

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

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

The Act on the Prevention of Transfer of Criminal Proceeds, which was partially put into force in April 2007, made it clear that the National Public Safety Commission (NPSC), which exercises administrative supervision over the National Police Agency and is aided by it, is responsible for prompt and appropriate collection, arrangement and analysis of suspicious transaction reports (STRs) filed by specified business operators. The Act also granted the NPSC a function related to the handling of STRs including its dissemination to foreign FIUs as well as a function to complement supervisory measures against specified business oper-

ators. The Japan Financial Intelligence Center (JAFIC) was established within the Organized Crime Department, the Criminal Affairs Bureau of the National Police Agency, as an organization responsible for processing administrative work related to the enforcement of the same law.

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

2 Mission and Structure

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

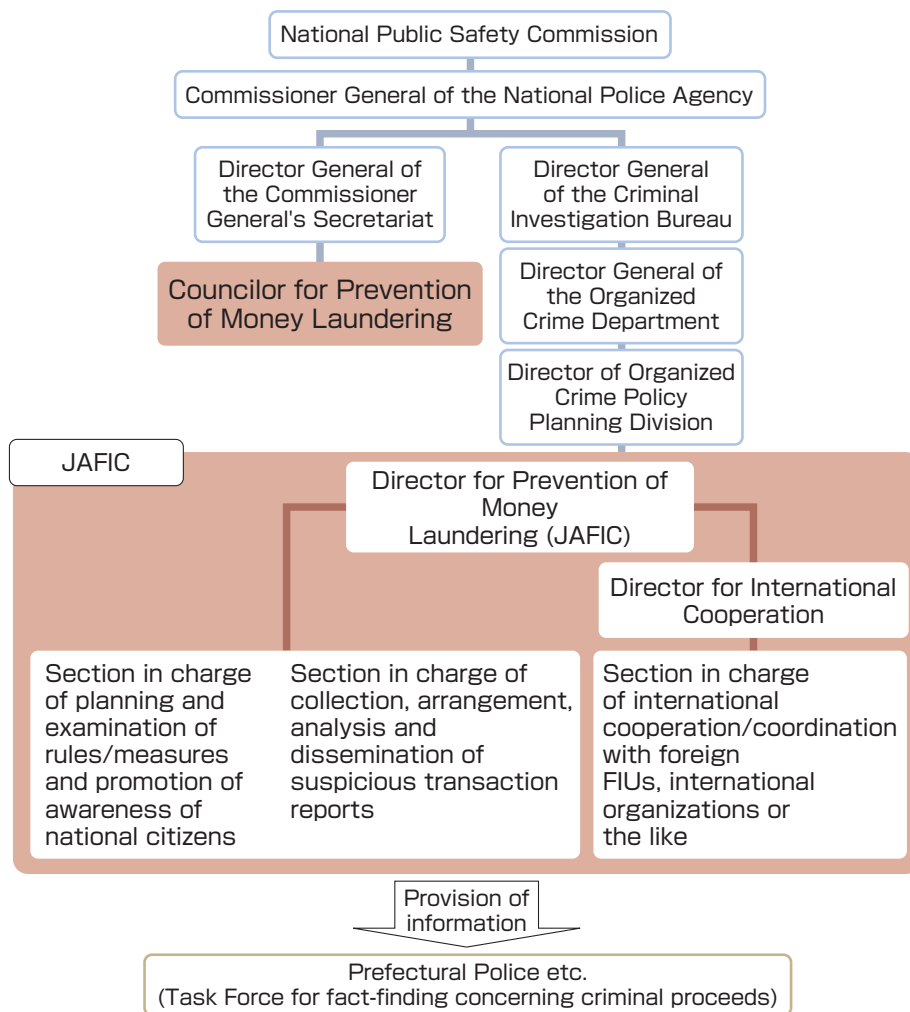
- Investigation and analysis of the status of transfer of criminal proceeds and formulation of the national risk assessment report
- Collection, arrangement, analysis and dissemination of information on suspicious transactions to investigative authorities etc.
- Dissemination of information to foreign 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 employees under the Director for Prevention of Money Laundering.

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

Figure 1-2 Structure of JAFIC



3 Partners

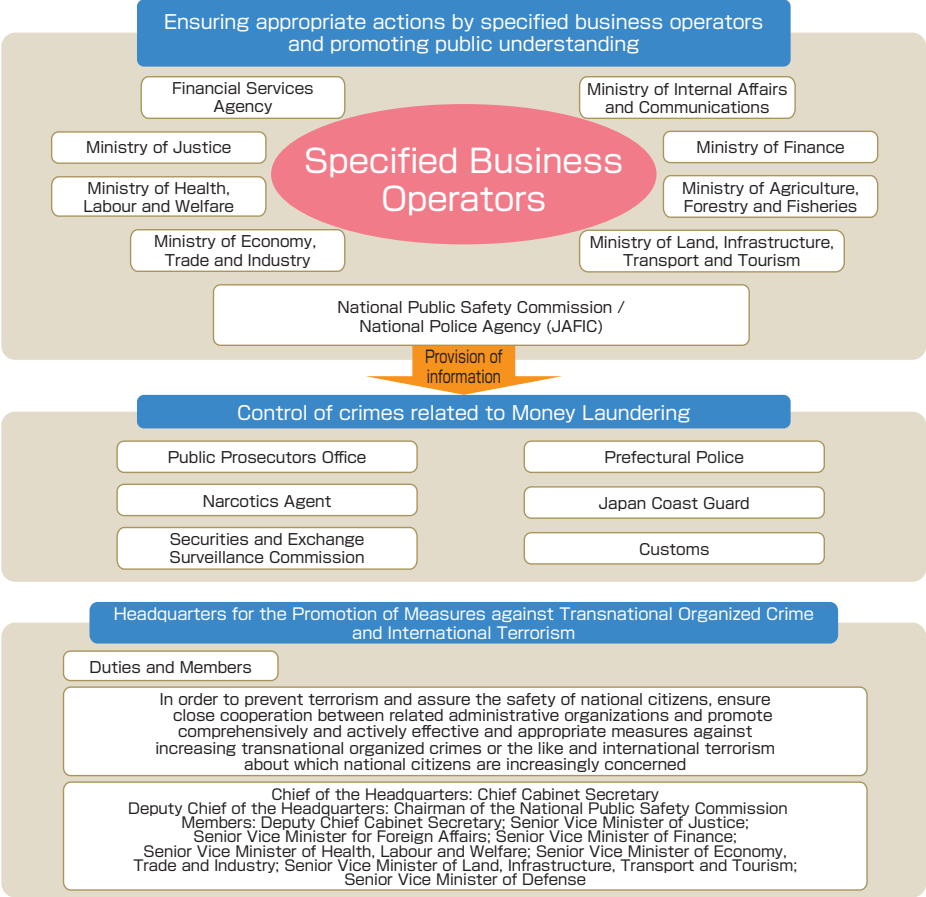
Specified business operators should take initial measures against ML/TF according to the Act on Prevention of Transfer of Criminal Proceeds. In addition to the analysis of financial information, JAFIC endeavors to get across knowledge or ideas it has accumulated with regard to the actual conditions of ML/TF or legal systems and relevant countermeasures so that specified business operators can perform CDD in better harmony with the general public. Relevant ministries and agencies in charge of supervising business operators not only exercise the supervisory function to secure the fulfillment of obligations, but also provide support by issuing Lists of Reference Cases of Suspicious Transactions and holding seminars together with industry organizations. On the other hand, investigative authorities such as police, make contributions in the area of punishment of money laundering or predicate 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.

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

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

Figure 1-3 Anti-money Laundering Measures in Organization



4 Guideline for Promotion of the Criminal Proceeds Control

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

Fundamental items in carrying out measures against criminal proceeds indicated by “the Guideline 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

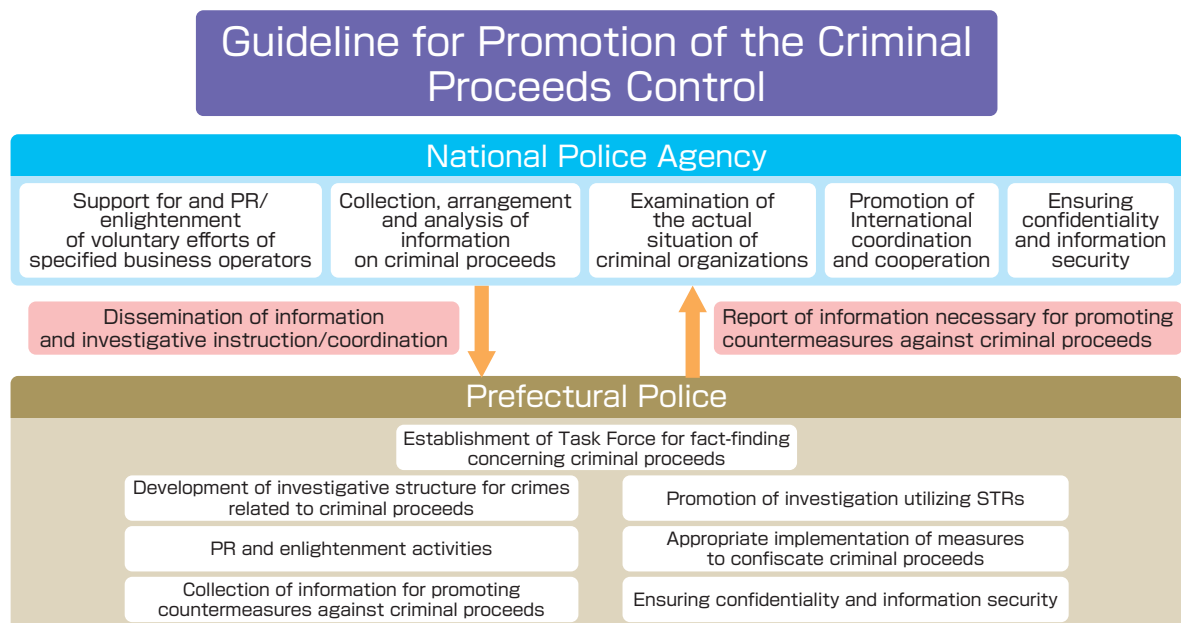
- (1) Arrangement of the system for the promotion of countermeasures
The National Police Agency and each prefectural police should develop a system necessary for countermeasures against criminal proceeds. Each prefectural police establish a Task Force for fact-finding concerning criminal proceeds and 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 and on implementation methods for the measures prescribed in the Act on Prevention of Transfer of Criminal Proceeds, instruction and advice to specified business operators. The National Police Agency and each prefectural police force should conduct public relations and educational activities to deepen general understanding about importance of criminal proceeds control.
- (3) Collection, arrangement and analysis of information on criminal proceeds
The National Police Agency should collect, arrange, analyze and disseminate information on criminal proceeds. Each prefectural police should collect the information necessary for effective countermeasures against criminal proceeds by maintaining close cooperation among relevant divisions.
- (4) Promotion of countermeasures against criminal proceeds
The National Police Agency should provide instruction to and coordinate among prefectural police departments which investigate crimes related to criminal proceeds, as well as clarify actual conditions of criminal organizations etc. In order to cut off the source of funds for criminal organizations etc., each prefectural police department should promote investigation where STRs are utilized, and attempt to make arrests in a proactive manner by applying the Act on Punishment of Organized Crimes, the Anti-Drug Special Provisions Law and other laws, while it should also promote information collection activities.
- (5) Promotion to deprive Criminal Proceeds
Each prefectural police force shall carry out measures to prevent the transfer of criminal proceeds by not only arresting suspects, but also by detecting criminal proceeds and utilizing the temporary restriction order before institution of prosecution. Also, close coordination with the Public Prosecutor's Office shall be further strengthened with regards to the deprivation of criminal proceeds.
- (6) Promotion of international cooperation
The National Police Agency should take initiative in the areas of, for example, inter-FUI

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

3 Confidentiality

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

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



Chapter 2

Legislative Regime on AML/CFT

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

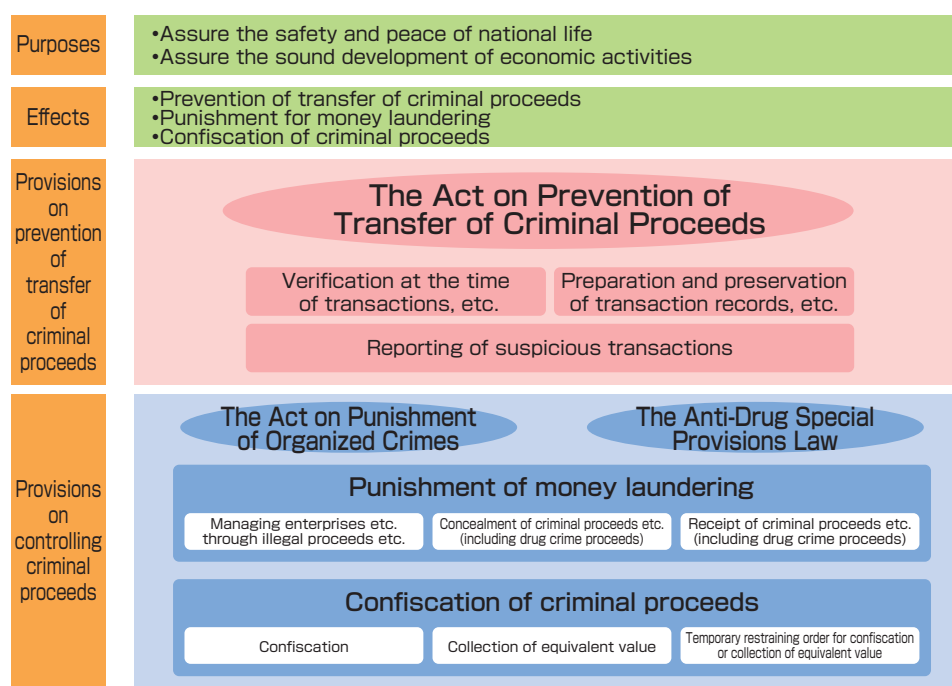
- (1) Imposing CDD and other necessary obligations on financial institutions and DNFBPs (collectively referred to as “specified business operators”)
- (2) Criminalization of money laundering
- (3) Confiscation of criminal proceeds

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

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

*In Section 1 of this chapter, “after the amendment” indicates that the Article number and the contents of the Article described there are those after the partial amendment of the Act on Prevention of Transfer of Criminal Proceeds (Act No. 117 of 2014), while “new provision” indicates that the Article has been newly established under the amended act (to be put into force on October 1, 2016).

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



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

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

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

In addition, in November 2014, a legal amendment intended to clarify the method of making determination pertaining to suspicious transactions, etc. (refer to Section 3) was made, and the provisions concerning the compilation and publication of National Risk Assessment of ML/TF (NRA) by the National Public Safety Commission was put into force on the day of the promulgation of the amended Act (November 27, 2014).

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

The fundamental structure of the Act is described in Fig. 2-2.

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.

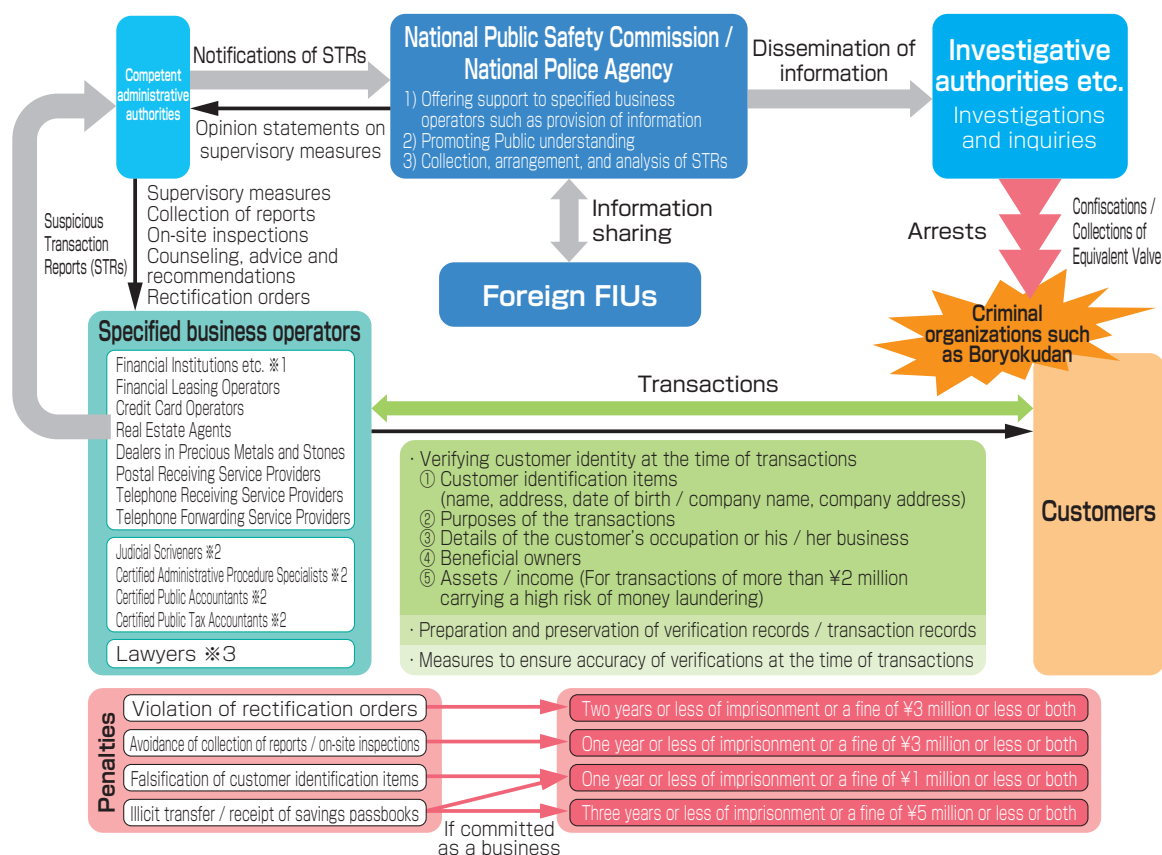
2 Criminal Proceeds (Paragraph 1 of Article 2)

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 operators,” whose designa-

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.

tion would occur in line with the FATF standards and also the domestic business context.

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-trusted 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.

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

5 Measures by Specified Business Operators

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

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

In conducting specified transactions described in Table 2-2 with customers, specified business operators are required to verify their identification data (the name, domicile and

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

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

Regarding transactions that have a high risk of being related to ML/TF, specified business operators are required to verify items related to verification at the time of transactions with a more enhanced method than usual. Moreover, in cases where the transaction involves the transfer of assets worth more than ¥2 million, specified business operators other than judicial scriveners are required to verify information concerning customers' source of wealth and source of funds.

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

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

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

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

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

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

(4) Reporting of suspicious transactions (Article 8)

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

However, a judicial scrivener, etc. is not required to file an STR.

Following the enforcement of the amended act, judgment as to whether or not a suspicious transaction report should be submitted will be made under a method prescribed by the ordinance of the competent ministries while taking account of the contents of NRA.

(5) Strict verification at the time of the conclusion of correspondence contracts (new provision) (Article 9 after the amendment)

When concluding a correspondent banking contract¹ under which exchange transactions with an exchange business operator located abroad are conducted continuously or repeatedly following the enforcement of the amended act, specified business operators who conduct exchange transactions on a regular basis are required to verify that the for-

foreign exchange business operator located abroad has developed a system necessary for appropriately implementing a measure equivalent to verification at the time of transactions.

(6) Notification pertaining to foreign exchange transactions (Article 9) (Article 10 after the amendment)

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

(7) Measures to ensure thorough and effective CDD measures to be taken (Article 10) (Article 11 after the amendment)

Specified business operators are required to take measures to keep information up-to-date concerning matters for which verification at the time of transactions has been conducted, and to set up necessary systems.

Following the enforcement of the amended act, they are required to formulate rules concerning the implementation of such measures as verification at the time of transactions, etc. and to appoint a person in charge of supervising business affairs, etc.

(8) Measures for verification of customer identification data by lawyers (Article 11) (Article 12 after the amendment)

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

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

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

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

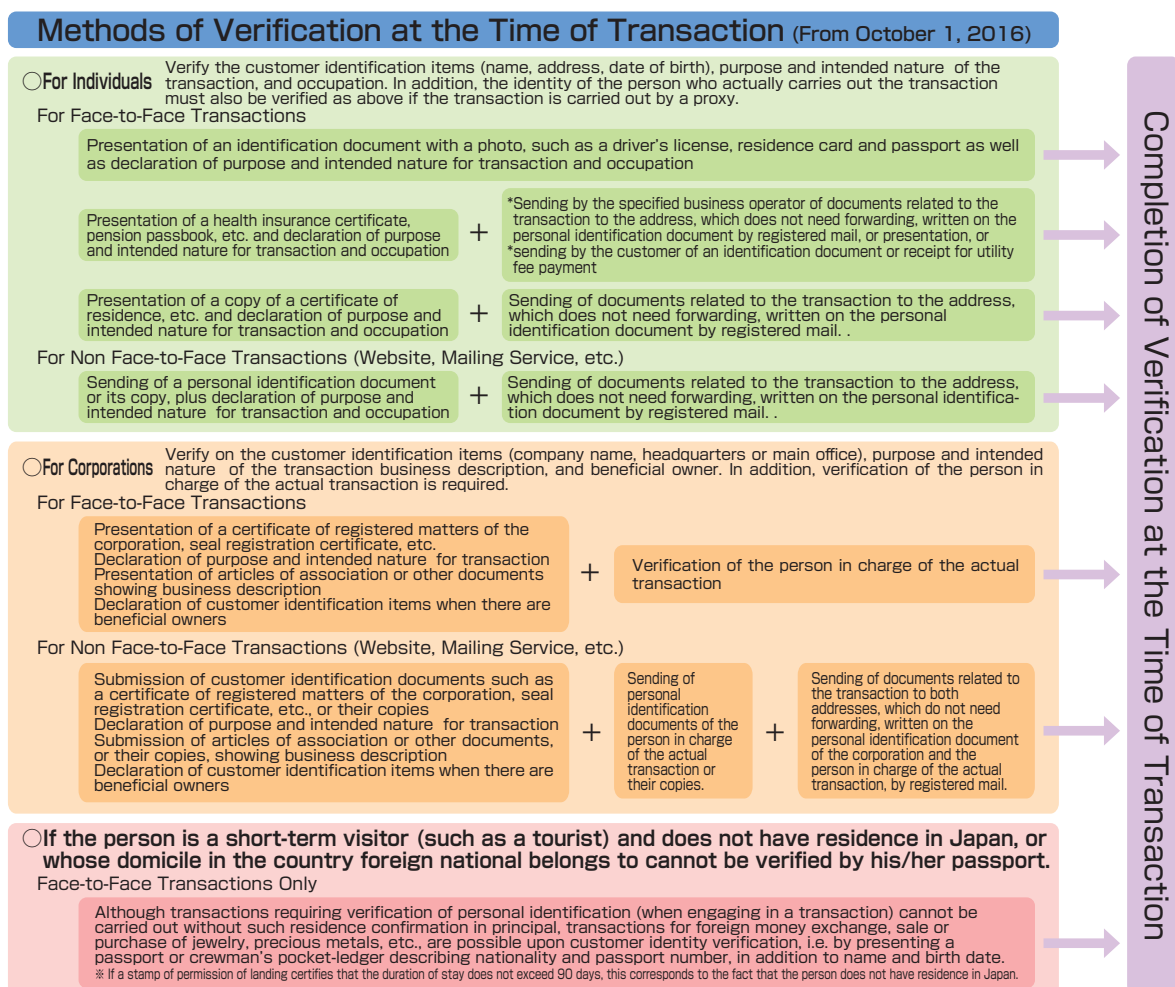
Table 2-1 [Measures that must be implemented by specified business operators under the Act]

Specified business operators (Article 2, paragraph (2))	Mandatory measures	Verification at the time of transaction [Article 4]	Preparation and preservation of verification records [Article 6]	Preparation and preservation of transaction records etc. [Article 7]	Reporting of suspicious transactions [Article 8]	Strict verification at the time of the conclusion of correspondence contracts [Article 9]	Notification pertaining to foreign exchange transactions [Article 10]	Measures to ensure thorough and effective CDD measures to be taken [Article 11]
Financial institutions (items 1 through 36)						○ (Limited to those who conduct exchange transactions on a regular basis)	○ (Limited to those who conduct exchange transactions on a regular basis)	
Financial leasing operators (item 37)								
Credit card operators (item 38)								
Real estate agents (item 39)		○			○			
Dealers in precious metals and stones (item 40)								
Postal receiving service providers (item 41)			○	○				○
Telephone receiving service providers (item 41)								
Telephone forwarding service providers (item 41)								
Judicial scriveners (item 43)						×	×	
Certified administrative procedures specialists (item 44)		○						
Certified public accountants (item 45)	(Only identification data)							
Certified public tax accountants (item 46)					×			
Lawyers (item 42)		As prescribed by the bylaws set by the Japan Federation of Bar Associations based on examples of judicial scriveners, etc. (Article 12).						As prescribed by the bylaws set by the Japan Federation of Bar Associations based on examples of judicial scriveners, etc. (Article 12)

Table 2-2 [Specified business affairs and specified transactions requiring performance of obligations by specified business operators]

Specified business operators (Article 2, paragraph (2))	Specified business affairs	Specified transactions
Financial institutions (items 1 through 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 million yen, cash remittance exceeding 100,000 yen, etc.
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 buying and selling of building lots or buildings, or agent work or intermediation thereof	Conclusion of contracts for buying and selling of building lots or buildings, or agent work or intermediation thereof
Dealers in precious metals and stones (item 40)	Business affairs which pertain to buying and selling of precious metals (gold, platinum silver and alloys of these metals) and jewelry (diamonds and other precious stones, semiprecious stones and pearls)	Conclusion of contracts for buying and selling precious metals, etc. whose payment amount exceeds 2 million yen by cash
Postal receiving service providers (item 41)	Business affairs for providing the service of receiving postal mail on behalf of a customer	Conclusion of contracts for the provision of service
Telephone receiving service providers (item 41)	Telephone receiving services	Conclusion of contracts for the provision of service *Conclusion of a contract including a clause stating that the operator will clearly specify the company name of the agent when receiving a telephone call is excluded. *Conclusion of a contract for call center business, etc. is excluded.
Telephone forwarding service providers (item 41)	Telephone forwarding services	Conclusion of contracts for the provision of service
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 buying and selling of building lots or buildings · Acts or procedures concerning the establishment, merger, etc. of companies, etc. · Management or disposition of cash, deposits, securities and other property *Payment of tax, penalty, fine, etc. is excluded. *Management or disposition of others' property as a duty of a person appointed by the court or the competent administrative authority, such as a guardian of an adult, etc. is excluded.	Conclusion of contracts for carrying out agent work, etc. for the following acts: · Acts or procedures concerning buying and selling of building lots or buildings · Acts or procedures concerning the establishment, merger, etc. of companies, etc. · Management or disposition of cash, deposits, securities and other property whose value exceeds 2 million yen *Conclusion of a contract for a voluntary guardian is excluded.

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



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

6 Dissemination of STR Information (Articles 12 and 13) (Articles 13 and 14 after the amendment)

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) (Articles 15 to 19, 25, 26 and 30 after the amendment)

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

spection of the regulated businesses or issuing a rectification order for non-compliance as necessary.

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

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

8 Penal Provisions regarding Reception/Delivery/Provision of Deposit/Savings Passbooks and Exchange Transaction Cards (Articles 27 and 28) (Articles 28 and 29 after the amendment)

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

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

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

Paragraph 1 The Act on Punishment of Organized Crimes

The Act on Punishment of Organized Crimes was enacted in response to the introduction of the requirement for expanding the scope of predicate offenses of money laundering to include serious crimes due to the revision of the FATF 40 Recommendations of 1996 and the international agreement reached at the 1998 Birmingham Summit on the establishment of an FIU, and it was put into force in February 2000. In terms of criminal proceeds regulations,

this law has expanded the scope of predicate offenses of concealment of criminal proceeds, etc. to include certain serious crimes. It also provides for the confiscation and collection of equivalent value of criminal proceeds, etc. Provisions concerning FIU were provided in the Act on Punishment of Organized Crimes before the enforcement of the Act on Prevention of Transfer of Criminal Proceeds.

1 Criminalization of Money Laundering (Articles 9 through 11)

(1) Illegal corporate control management (Article 9)

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

(2) Concealment of criminal proceeds (Article 10)

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

(3) Receipt of criminal proceeds (Article 11)

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

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

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

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

Paragraph 2 Anti-Drug Special Provisions Law

The Anti-Drug Special Provisions Law was enacted for the purpose of blocking cycles of illegal proceeds derived from drug crimes, directly triggered by the UN New Narcotics 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. In terms of regulation on drug-related criminal proceeds regulations, this law provides for the following two matters:

1 Punishment of Money Laundering (Articles 6 and 7)

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

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

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

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

Section 3 Recent Legislative Changes

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

1 Amendment of the Act on Prevention of Transfer of Criminal Proceeds

(1) Backgrounds to the amendment

In 2011, the Act on Prevention of Transfer of Criminal Proceeds was amended in light of the matters pointed out in the third-round FATF mutual evaluation of Japan (refer to Chapter 6, Section 1) in 2008 and the status of money laundering cases. However, after this amendment, the FATF pointed out that some matters concerning the customer due diligence required by the FATF recommendations are not explicitly prescribed in laws and regulations, and in June 2014, it published a statement encouraging Japan to quickly address deficiencies concerning AML/CFT measures.

In light of changes in the circumstances surrounding money laundering, including the results of the third-round FATF mutual evaluation of Japan and the revised FATF recommendations, the National Police Agency convened meetings of the Advisory Panel of Ex-

perts (chairman: Kiyoshi Yasutomi, professor emeritus of Keio University) in order to study this matter. As a result, in October 2014, a bill to partially amend the Act on Prevention of Transfer of Criminal Proceeds was submitted to the 187th Diet session. This bill was enacted on November 19 of the same year and the amended law was promulgated on November 27. The provision of the amended act that concerns the compilation of NRA was put into force on the day of promulgation, and other provisions will be put into force on October 1, 2016.

(2) Key points of the amendment

- A. Clarification of the method of making determination related to suspicious transactions
Specified business operators (excluding judicial scriveners, etc.) are required to make determination as to whether to file an STR under a method prescribed by the ordinance of the competent ministries while taking account of the contents of NRA, which is published each year by the National Safety Commission in addition to the results of verification at the time of transactions and other factors.
- B. Strict verification at the time of conclusion of a correspondent banking contract
When concluding a correspondent banking contract, specified business operators (limited to those who conduct exchange transactions on a regular basis) are required to verify that the foreign exchange business operator located abroad has developed a system necessary for appropriately implementing measures equivalent to verification at the time of transactions.
- C. Expansion of obligation for specified business operators to develop necessary internal control systems
Specified business operators are required to formulate rules concerning the implementation of such measures as verification at the time of transactions, etc. and appointing a person in charge of supervising business affairs, etc.

2 Amendment of the Order for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds.

(1) Backgrounds to the amendment

The Order for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds was amended in light of the circumstances concerning transfer of criminal proceeds in addition to the amendment associated with the enforcement of the partial amendment of the Act on Prevention of Transfer of Criminal Proceeds, which was promulgated in November 2014, and the amended order was promulgated on September 18, 2015. Meanwhile, regarding the provisions of the amended act that were scheduled to be put into force on a day prescribed by Cabinet Order that is not later than two years from the day of promulgation, the date of enforcement was set as October 1, 2016, and the said amended order for enforcement will also be put into force on the same day excluding some provisions.

(2) Overview of the amendment of the Order for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds, etc.

- A. Formulation of rules concerning specified transactions conducted by financial institu-

tions and judicial scriveners, etc.

Payment of utility fees is specified by ordinance of the competent ministries as transactions for which simplified customer due diligence is permitted in light of the risk level of transfer of criminal proceeds through the said transaction indicated in NRA, so it should be excluded from the scope of specified transactions conducted by financial institutions and judicial scriveners, etc.

Meanwhile, transactions that are recognized as suspected money laundering and transactions that are conducted in a manner markedly different from the same type of transaction are specified by ordinance of the competent ministries as transactions requiring special attention in customer due diligence, so they should be added to the scope of specified transactions conducted by financial institutions and judicial scriveners, etc.

In addition, when a specified business operator conducts two or more transactions with the same customer at the same time or in succession and when it is obvious at first glance that the said two or more transactions represent a single transaction divided in order to reduce the transaction value per transaction, they should be regarded as a single transaction.

B. Formulation of rules concerning transactions for which strict due diligence is highly necessary

Specified transactions with foreign PEPs (Politically Exposed Persons, such as heads of state, other persons specified by ordinance of the competent ministries, former PEPs, their families, and customers whose beneficiary owners meet any of these descriptions; the same shall apply hereinafter) should be added to the scope of transactions subject to strict verification at the time of transactions.

C. Formulation of rules concerning transactions with customers for whom verification at the time of transactions has already been implemented

Transactions recognized as suspected money laundering and other transactions specified by ordinance of the competent ministries as transactions requiring special attention in customer due diligence (e.g., transactions conducted in a manner markedly different from the same type of transaction) should not be exempted from the application of the rule that obligates verification at the time of transactions even if they are transactions with customers for whom verification at the time of transactions has already been implemented.

(3) Overview of the amendment of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds, etc.

A. Amendment associated with the enforcement of the amended act

(a) Method of making judgment regarding reporting of suspicious transactions

Comparison with the manner of ordinary transactions, comparison with transactions conducted with the relevant customer in the past, and consistency with verification at the time of transactions are specified as items prescribed by the competent ministries. Verifying whether or not there are suspicious points concerning the relevant transaction in accordance with the items prescribed by the competent ministries is specified as a method prescribed by the competent ministries.

- (b) Appropriate measures for verification at the time of transactions

Risk assessment by specified business operators, ongoing scrutiny of preserved verification and transaction records and collection of necessary information are specified as measures that should be commonly implemented by specified business operators when implementing customer due diligence measures in order to appropriately conduct verification at the time of transactions.
- B. Amendment associated with the enforcement of the amended order
 - (a) Transactions requiring special attention in customer due diligence

The following transactions are specified as transactions requiring special attention in customer due diligence:

 - *Suspicious transactions
 - *Transactions conducted in a manner markedly different from the same type of transaction.
 - (b) Persons who occupy important positions in foreign governments, etc.

Regarding transactions with persons who occupy important positions in foreign governments, etc., the following matters should be recorded as verification records:

 - *Scope of foreign PEPs
 - *In the case of customers who are PEPs, the fact that they are PEPs and the reason for recognizing them as PEPs
- C. Amendment intended to respond to the FATF recommendations
 - (a) Method of customer identification concerning customer identification documents without a photo

When customer identification documents without a photo, such as health insurance certificates and pension books, are used, additional necessary identification measures, such as sending documents related to the transaction to the residence of the customer by registered mail as postal item requiring no forwarding, etc., should be implemented, in addition to the presentation of the said documents.
 - (b) Identification of beneficial owners

Regarding “beneficial owners” of corporations, identification should be implemented in order to track down the natural persons who control the corporations through voting rights or other means.
 - (c) Method of verifying the proxy of persons in charge of transactions

Verifying the possession of an employee identification card should be deleted from the scope of methods of verifying the possession of legitimate authority to conduct transactions by a corporation’s person in charge of transactions, and the registry of a person as an executive should be limited where the said person is registered as an officer with representative authority of the corporation.
- D. Other points of the amendment
 - (a) Addition of individual number cards to the scope of customer identification documents

Following the enforcement of the Act on the Use, etc. of Numbers to Identify Specific Individuals under Administrative Procedures (Act No. 27 of 2013), the individual

number card should be specified as an identification document.

Documents designated by the National Public Safety Commission should be excluded from the scope of customer identification documents and supplementary documents and the notification card specified by the same act should be designated under a public notice as documents that should be excluded from the scope of customer identification documents.

- (b) Review of the method of verifying customer identification data associated with the amendment of the Act on Electronic Signature Authentication Services by the Japan Agency for Local Authority Information Systems

Following the amendment of the Act on Electronic Signature Authentication Services by the Japan Agency for Local Authority Information Systems (Act No. 153 of 2002), the method of verifying customer identification data based on the provision of the same act should be reviewed.

- (c) Simplification of verification at the time of transactions in the case of cash payment of utility fees

Some of the transactions related to the payment of utility fees, school enrollment fees, etc. whose risk of being used for ML/TF is deemed to be very low should be added to the scope of transactions for which simplified customer due diligence is permitted.

3 Other points of the amendment

As a result of the revision of the organization of the Ministry of Agriculture, Forestry and Fisheries under the Cabinet Order for Partial Amendment of the Ordinance on the Organization of the Ministry of Agriculture, Forestry and Fisheries, the inspection authority entrusted by the Minister of Agriculture, Forestry and Fisheries to the Directors-General of Regional Agricultural Administration Offices has been integrated into the authority of the Minister. Therefore, under the Order for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds, an amendment was made to the provision for the entrustment of the Minister of Agriculture, Forestry and Fisheries' inspection authority concerning agricultural cooperatives to Directors-General of Regional Agricultural Administration Offices.

Chapter 3

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

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

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

Section 1 Efforts of Specified Business Operators

1 Banking Industry

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

2 Shinkin Banks (Credit Unions)

As for the credit union industry, in 1997 the National Association of Shinkin Banks established the Shinkin Banks Ethics Program (re-named the Shinkin Banks Action Program in 2005), under which it is aiming for “strict observance with laws, regulations and rules” and

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

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

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

3 Credit Cooperatives

In Japan, all credit cooperatives are members of the National Central Society of Credit Cooperatives (NCSCC). To ensure that countermeasures against ML/TF are implemented, NCSCC compiles and provides members with examples of how to verify customer identity and of procedures concerning suspicious transaction reports and reference materials for training, thereby recognizing members to ensure appropriate implementation of the procedures. Furthermore, NCSCC compiles posters and leaflets – which are available from the NCSCC website to inform customers about the CDD procedure, and distributes these to members. Besides, regarding the coping with anti-social forces, NCSCC communicated to members reference examples of exclusionary clauses in various agreements concerning loans and deposit transactions, and examples of articles of incorporation to which a provision for excluding anti-social forces from among members was added. It has also been given access to the Japanese Bankers Association’s database concerning anti-social forces and has communicated information to members, thereby helping to develop their readiness to exclude anti-social forces from among members. NCSCC also takes thorough steps against ML/TF 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 Agricultural Cooperatives and Fishery Cooperatives

Regarding the prevention of ML/TF, agricultural cooperatives and fishery cooperatives have developed administrative procedures related to the implementation of verification at the time of transactions, suspicious transaction reporting, etc. based on the Act on Prevention of Transfer of Criminal Proceeds and are holding briefing sessions and training sessions for

staff members. In addition, they make and issue posters intended to raise members' and users' awareness about the procedures for verification at the time of transactions.

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

5 Life Insurance Industry

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

LIAJ has compiled the "Countermeasures Against Money Laundering and Terrorist Financing Handbook" and the "Countermeasures Against Money Laundering and Terrorist Financing FAQs" for both executives and regular employees, thereby assisting members in their efforts. In addition, LIAJ also makes posters and presents important points pertaining to the subject on its website.

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

6 Non-Life Insurance Industry

As for the non-life insurance industry, with a view to preventing ML/TF, verification of customer identity procedures regarding savings-type insurance or large cash transactions exposed to a high risk of ML/TF have been implemented since 1990. The General Insurance Association of Japan has acted on an industry-wide basis in providing procedures related to customer identification, jointly issuing posters for use in store locations and writing a letter to inform its agencies, which constitute the main channel for the sale of non-life insurance, of the issue.

In addition, in response to the revision of the Act on Prevention of Transfer of Criminal Proceeds in 2011, 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 CDD process, the Association has set up a special page on its website, targeting general consumers, as well as has issued leaflets to be handed out to customers.

As a measure to address the issue of anti-social forces, the "fundamental policy," which specifies the industry's efforts to sever relationships with anti-social forces, and "model anti-

cles of incorporation,” which include a clause for Boryokudan elimination, have been formulated and published on the website of the General Insurance Association of Japan.

7 Securities Industry

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

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

Additionally, the Japan Securities Dealers Association established the “Securities Safety Measures Support Center” in March 2009. It was registered as an organization for management of information on unjust demands based on the Act on Prevention of Unjust Acts by Organized Crime Group Members, by the National Public Safety Commission/the National Police Agency and started operations to receive inquiries and consultations from securities companies. Since January 2013, the Japan Securities Dealers Association’s system for making inquiries as to whether or not a certain person is an anti-social force and the National Police Agency’s database were connected with each other to check whether or not members’ new customers are anti-social forces. The Japan Securities Dealers Association also strives to ensure smooth and appropriate system operation by conducting training for members concerning the inquiry service using the system and conducting onsite inspection of the members’ operation.

In terms of internal systems, the Japan Securities Dealers Association also established the “Rules regarding Severing Relationships with Anti-social Forces” in May 2010, obligating each member to 1) introduce articles regarding assurance by customers “that they are not an anti-social force” when opening a new securities account, 2) introduce articles regarding elimination of anti-social forces in their transaction clauses etc., 3) screen new and existing

customers, and 4) ban the conclusion of contracts with anti-social forces. Following the amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2011, 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 same act.

8 Moneylending Industry

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

In September FY2011, a Boryokudan exclusion clause was added to contract formats sold to members, and the revised format was posted on the Association’s website, enabling not only members but all moneylending businesses to view these materials, and encouraging to adopt said clause in moneylending business. In addition, the Association also notes information on preventing ML/TF and damage caused by anti-social forces on the Association’s website in order to familiarize association members with these issues.

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

In FY2014, in light of the revision of the Financial Services Agency’s “Comprehensive Guidelines for Supervision of Money Lenders,” the Association also made necessary revisions to voluntary regulatory rules, etc. and it inspected members with respect to all of their internal regulations and provided individual instructions as necessary. It also collects information from the National Center for the Elimination of Boryokudan and commissioned Japan Credit Information Reference Center Corp. (hereinafter referred to as “JICC”), which is a designated credit information organization under the Money Lending Act, to start specified information inquiry service, which makes it possible for members to make inquiries about whether a certain person is an anti-social force.

In FY2015, in order to contribute to the promotion of inquiries as to whether a certain person is an anti-social force in terms of ex-post verification, the Association started an additional service, i.e. a specified information feedback service, which matches registered credit information with JICC’s information concerning anti-social forces at a prescribed interval and reports the results to user members, in response to requests from members who have registered a larger volume of credit information with JICC than the prescribed level. Through

these activities, the Association promotes the development of systems related to the prevention of damage inflicted by anti-social forces in the moneylending industry.

9 Fund Transfer Industry

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

In response to the partial revision of the Act on Prevention of Transfer of Criminal Proceeds in 2014, 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 AML/CFT amongst its members through workshops.

10 Leasing Industry

The Japan Leasing Association is an industry organization for the public interest, comprised of companies engaged in the leasing business. In March 2008, the Association compiled and distributed an educational pamphlet regarding the Act on Prevention of Transfer of Criminal Proceeds for leasing customers. In September 2012, following the revision of the Act on Prevention of Transfer of Criminal Proceeds (2011), 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.

11 Credit Industry

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

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

12 Real Estate Industry

In December 2007, the real estate industry established the "Liaison Council for Preventing

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

Following the enforcement of the revised Act on Prevention of Transfer of Criminal Proceeds in 2011, the Council has updated its handbook for real estate agents and enhanced its FAQ 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.

13 Jewelers and Precious Metals Industry

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

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

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

14 Secondhand Goods Dealers and Pawnbrokers

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

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

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

15 Bar Associations

The Japan Federation of Bar Associations had been examining the relation between anti-money laundering measures and the duties of a lawyer, recognizing the importance of the measures. Following the amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2011, the Federation fully revised the “Rules on Identification of Clients and Record-Keeping” and established the “Rules on Verification of Matters for Identification of Clients and Record-Keeping” (hereinafter referred to as the “New Rules”) with a resolution of the extraordinary general assembly meeting in December 2012. The Federation also established the Regulations on Verification of Matters for Identification of Clients and Record-Keeping” (hereinafter referred to as the “New Regulations”) with a resolution of the board meeting in the same month. The New Regulations and Rules stipulate the obligations of a lawyer; e.g., verifying the identity of a client, preserving the records for certain practices, and not accepting a request if there is suspicion of being used for transfer of criminal proceeds. The New Regulations and Rules were put into effect in March 2013. The New Rules were amended through a resolution adopted at an extraordinary general meeting in December 2015 in response to the partial amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014.

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

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

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

16 Judicial Scriveners’ Associations

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

Preventing the Transfer of Criminal Proceeds,” instructing scrivener associations to inform their members on the subject. The purpose of these efforts is to establish a working policy where scriveners take steps to avoid taking on any responsibility in cases in which there is a risk that their services might be misused for money laundering.

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

Since 2014, the Federation has been holding workshops for judicial scriveners with respect to the Act on Prevention of Transfer of Criminal Proceeds and AML/CFT, with personnel of the National Police Agency serving as lecturers.

17 Association of Certified Administrative Procedures Specialists

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

In January 2014, the Association also partially revised the “Ethics of Certified Administrative Procedures Specialists,” which specifies the basic approach to the performance of the duties of certified administrative procedures specialists and introduced a provision concerning the verification of the client identification items.

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

18 Japanese Institute Certified Public Accountants

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

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

Section 2 Collaboration with the private sector

Paragraph 1 AML/CFT Workshop for Information sharing and feedback in 2015

1 Workshops for Financial Institutions

The National Police Agency jointly held with the Financial Services Agency, the “Suspicious Transaction Reporting Workshop” for financial institutions 14 times, at a total of 12 places around the country, from October to November 2015, where they gave feedback learned from case studies of actual investigations involving STR information and advice with regard to key points in performing the reporting work and explained the overview of the amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014.

In addition, personnel of the Financial Services Agency were sent to briefing sessions held in Tokyo by the Shinkin Central Bank in February in 2015, by the Japan Payment Service Association in November and by the JBA in December in order to explain the overview of the amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014.

Moreover, personnel of the National Police Agency visited 87 banks and other financial institutions across Japan and provided explanations regarding example cases of suspicious transaction reporting and points of attention concerning reporting work.

2 Briefing Sessions for Real Estate Agents

In December 2015, the National Police Agency sent personnel to briefing sessions for real estate agents held in four places across the nation by the Ministry of Land, Infrastructure, Transport and Tourism to provide explanations concerning the overview, etc. of the amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014.

3 Sending Notification to Postal Receiving Service Providers

In March 2015, the Ministry of Economy, Trade and Industry sent a notification to postal receiving service providers of the overview of the amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014 and points of attention concerning verification at the time of transactions in order to raise awareness about information that they need to acquire as postal receiving service providers.

4 Sending Notification to Telephone Forwarding Service Providers

In August 2015, the Ministry of Internal Affairs and Communications sent to telephone forwarding service providers a notification of the overview of the amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014 and verification items at the time of transactions in order to raise awareness about information that they need to acquire as telecommunications business operators.

5 Seminars for Judicial Scriveners

The National Police Agency dispatched its officers to seminars for judicial scriveners, which were held by the Japan Federation of Shiho-Shoshi Lawyer's Associations in Hiroshima in December 2015, and provided explanations on the outline of the amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014.

6 Publication of List of Reference Cases of Suspicious Transactions

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

7 PR on Website

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

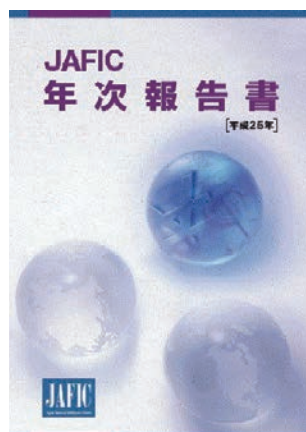
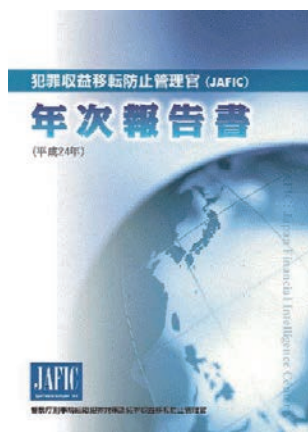
Top page of the website of the National Police Agency

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

Top page of the website of JAFIC

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

JAFIC Annual Report



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	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)	<ul style="list-style-type: none"> Conclusion of contracts for the provision of services Excluding the conclusion of contracts which contain such terms that when receiving telephone calls, the business name, etc., of the service provider is exposed Excluding the conclusion of contracts pertaining to call center business, etc.
Newly added business operator Telephone forwarding service providers	Conclusion of contracts for the provision of services
Judicial scriveners	<ul style="list-style-type: none"> Conclusion of contracts pertaining to agent or deputy work for the following acts: 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	Excluding payment of taxes, fines, non-penal fines, etc.
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	<ul style="list-style-type: none"> As prescribed by the rules of the Japan Federation of Bar Associations in line with cases of a judicial scrivener and other professionals

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: 03-3568-6000 (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 Hokkaido 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 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, Ministry of Internal Affairs and Communications TEL: 03-5253-1111 (main) (ext.5487)
Telephone forwarding service providers	Telecommunications Consumer Policy Division, Telecommunications Business Department, Ministry of Internal Affairs and Communications TEL: 03-5253-1111 (main) (ext.5487)

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.jpfa.go.jp/kishikaku/afic/index.htm>

For inquiries about this booklet, please contact
TEL: 03-3581-0141

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

To be enforced on April 1, 2013

Revised 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 (judicial person))	<ul style="list-style-type: none"> The following identification documents <ul style="list-style-type: none"> 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 Certificate of registered matters Seal registration certificate (with the indication of name, location of head office or principal office) 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
② Purpose of conducting a transaction	Provision of information	Same as ordinary transaction
③ Occupation (in the case of individual)	Provision of information	Same as ordinary transaction
④ Contents of business (in the case of juridical person)	Articles of Incorporation, certificate of registered matters, etc.	Same as ordinary transaction
⑤ Beneficial owner (A person who holds over 25% of the total voting rights, etc.)	<ul style="list-style-type: none"> Whether or not a beneficial owner exists Provision of information Shareholder registry, securities report, etc. 	<ul style="list-style-type: none"> Customer identification data Identification documents
⑥ State of property and income (limited to high risk transactions involving the transfer of property of a value exceeding 2 million yen)	—	<ul style="list-style-type: none"> (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.

① 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 rates (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 ① to ⑤) 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 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

+ Sending documents pertaining to the transaction to the residence indicated in the identification documents by registered mail, etc., as a transfer-prohibited postal item, etc.

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

+ Sending documents pertaining to the transaction to the residence indicated in the identification documents by registered mail, etc., as a transfer-prohibited postal item, etc.

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 ① to ⑤) 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

+ Having the identification documents of the person who is actually in charge of the transaction presented

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 the articles of incorporation or copies thereof sent

Having the information on the customer identification data concerning beneficial owners given

+ Having the identification documents of the person actually in charge of the transaction or copies thereof sent

+ Sending documents pertaining to the transaction to the residence, etc., indicated in the customer identification data of the juridical person as well as the person actually in charge of the transaction by registered mail, etc., as a transfer-prohibited postal item, etc.

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

③ (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 90 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 of having 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

Completion of verification at the time of transaction

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

When the United Nations Security Council adopts a resolution requiring countries to freeze the funds or other assets related to any persons or entities in order to prevent and suppress terrorism and terrorist financing, the National Police Agency, in cooperation with relevant Ministries and Agencies, shall disseminate the content to specified business operators (excluding lawyers, judicial scriveners, certified administrative procedures specialists, certified public accountants and tax accountants; the same applies in this paragraph) and request the thorough CDD and reporting of suspicious transactions on persons or entities subject to the resolutions concerned. And, the targeted persons or entities shall be listed on the 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, the National Police Agency requires specified business operators through supervisory authorities to ensure CDD and reporting of all suspicious transactions. Such a requirement was made a total of 17 times in 2015.

2 Measures based on the FATF Public Statement

The FATF Plenary held in February, June and October 2015 adopted the Statement which called on all FATF members and other jurisdictions to apply countermeasures to protect the international financial system from ML/TF risks emanating from Islamic Republic of Iran and North Korea. In response, the National Police Agency has issued a notice through supervisory authorities that specified business operators should properly perform CDD and reporting suspicious transactions.

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

Paragraph 3 National Risk Assessment of Money Laundering and Terrorist Financing

1 Backgrounds

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

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

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

Japan 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.

Relevant ministries and agencies conducted a study based on this plan, and in December 2014, "National Risk Assessment of Money Laundering and Terrorist Financing" was published.

2 Purpose

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

3 Publication of National Risk Assessment Report and Overview

Following the partial amendment of the Act on Prevention of Transfer of Criminal Proceeds, the National Public Safety Commission shall make and publish the National Risk Assessment Report each year. Based thereon, the National Risk Assessment Report was made in cooperation with relevant ministries and agencies. The National Risk Assessment Report, published in September 2015, analyzed the specific characteristics of the following risk factors, measures to mitigate the risk and example cases of arrest, and indicated the risk level. The National Risk Assessment Report is available on JAFIC's website.

- Factors related to products and services

- Transactions related to deposit and savings accounts, domestic exchange, safe deposit boxes, bills, cheques, etc.

- Factors related to transaction type

- Non-face-to-face transactions, cash transactions, etc.

- Factors related to countries and jurisdictions

- Countries and jurisdictions indicated in the FATF Public Statement of their deficiencies on measures against ML/TF

- Factors related to customers

- Anti-social forces, non-residents, individuals who are or have been entrusted with a prominent public function in a foreign country (Politically Exposed Persons), etc.

Section 3 Requests to Submit Reports and Opinion Statements in 2015

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

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

In 2015, the National Public Safety Commission/the National Police Agency made 11 requests to submit reports to Postal Receiving Service Providers, and gave two directions to Prefectural Police to make necessary inquiries on the violation of specified business operator's obligation regarding CDD. In addition, based on the past reports submitted, they issued to competent administrative authorities in charge of supervising specified business operators 10 opinion statements to the effect that necessary measures should be implemented in order to rectify violations of the Act on Prevention of Transfer of Criminal Proceeds by specified business operators in 2015; specifically, eight statements to the Minister of Economy, Trade and Industry, which is the authority over postal receiving service providers; and two to the Minister of Internal Affairs and Communications, which is the authority over telephone forwarding service providers.

No onsite inspections by police officers were performed.

Table 3-1 Number of supervisory actions

Category \ Year	2011	2012	2013	2014	2015
Number of requests to submit reports to specified business operators	5	9	11	10	11
Postal receiving service providers	4	8	10	8	9
Telephone receiving service providers	0	1	0	0	0
Telephone forwarding service providers	0	0	0	2	0
Providers of both postal receiving service and telephone forwarding service	0	0	1	0	2
Certified administrative procedures specialists	1	0	0	0	0
Number of directions to conduct inquiry to prefectural police	3	3	1	5	2
Postal receiving service providers	3	3	0	4	2
Telephone forwarding service providers	0	0	0	1	0
Providers of both postal receiving service and telephone receiving service	0	0	1	0	0
Number of opinion statements made to competent administrative authorities	10	10	10	11	10
Postal receiving service providers	10	8	9	9	8
Telephone receiving service providers	0	1	1	0	0
Telephone forwarding service providers	0	0	0	2	2
Certified administrative procedures specialists	0	1	0	0	0

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

In 2015, in light of Opinion Statements issued by the National Public Safety Commission/ the National Police Agency, the Minister of Economy, Trade and Industry issued five Rectification Orders to postal receiving service providers.

Chapter 4

Reports of Suspicious Transactions

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

Section 1 System Outline

1 Purpose

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

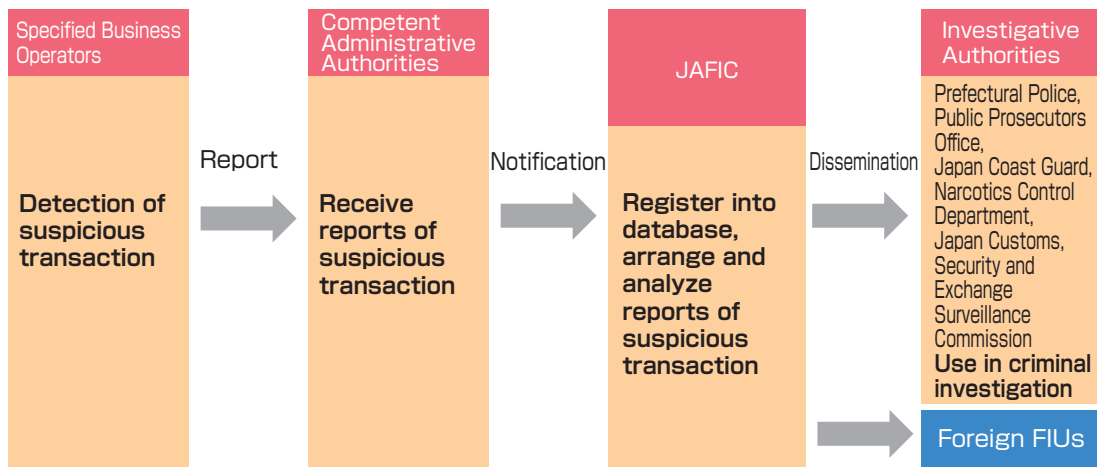
2 Flow of Suspicious Transaction Reporting

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

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

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

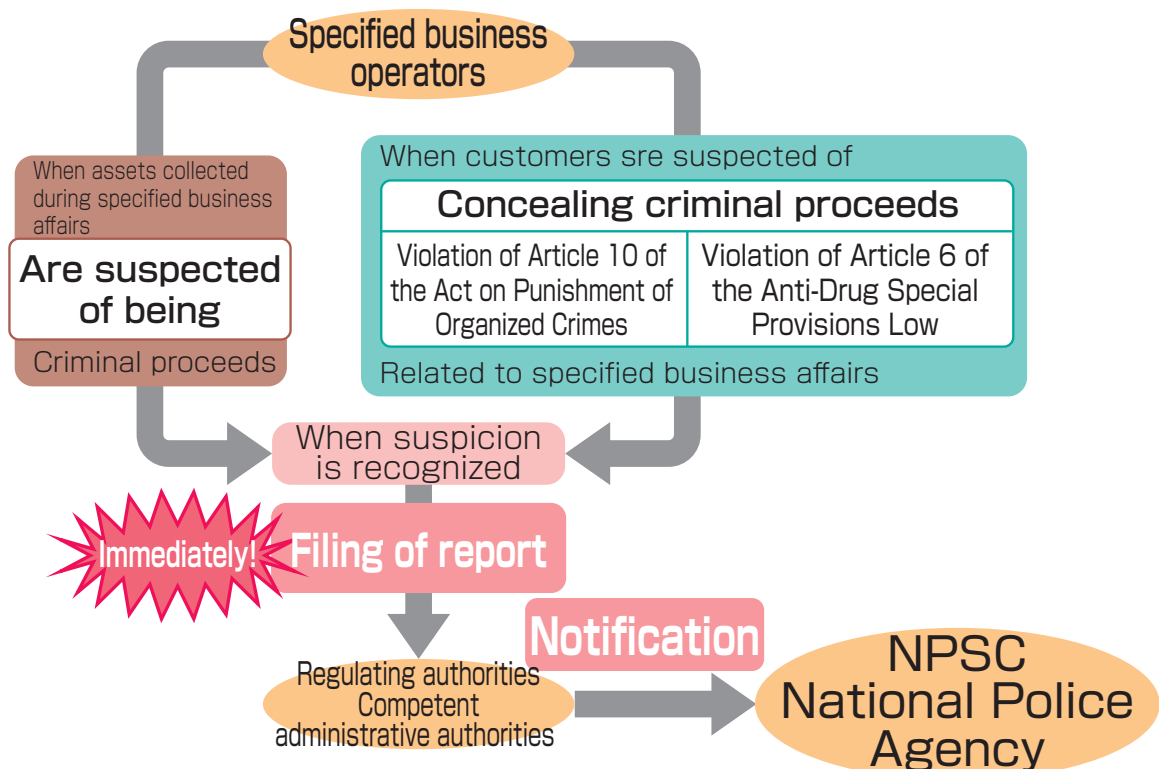
Figure 4-1 Flow of STRs from Specified Business Operators, through JAFIC to Investigative Authorities



3 When STRs are Required

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

Figure 4-2 Cases where STRs are required



4 Identification of Suspicious Transactions

Specified business operators are expected to determine whether there is any suspicious activity behind the transaction concerned based on their own knowledge and experience in their particular field of business, also taking into account some factors including the nature of transactions or types of customers. In other words, specified business operators should determine whether the transactions are suspected of being related to ML/TF in the context of each transaction conducted. However, not all of them identify ML/TF risks in every transaction and they may find it difficult to make an appropriate determination. Therefore, competent administrative authorities that oversee specified business operators have announced “reference cases of suspicious transactions,” based on the characteristics of respective specified business operators. These cases are provided as a reference to help specified business operators find or identify suspicious transactions in their day-to-day operations. Although all the transactions that appear to match the listed samples in the reference cases do not necessarily have to be reported as suspicious, any transaction that specified business operators determine as should be reported.

As a result of the partial amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014, a provision concerning judgment related to suspicious transaction reporting was introduced to require that specified business operators make judgment as to whether or not to submit a suspicious transaction report under a method prescribed by the competent ministry’s relevant ordinance while taking account of the contents of the NRA in addition to the results of verification at the time of transactions (to be put into force on October 1, 2016).

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 and 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 transaction information, 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 by the terminal device. 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 device is denied to prevent unauthorized use.

(3) Surveillance of Terminal Device

All processing operated at the terminals, such as access to information and printing of

query results, 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 Terminal Device

Each terminal device 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 Device's Hard Disk Drive Information

The hard disk drives on the terminal device 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

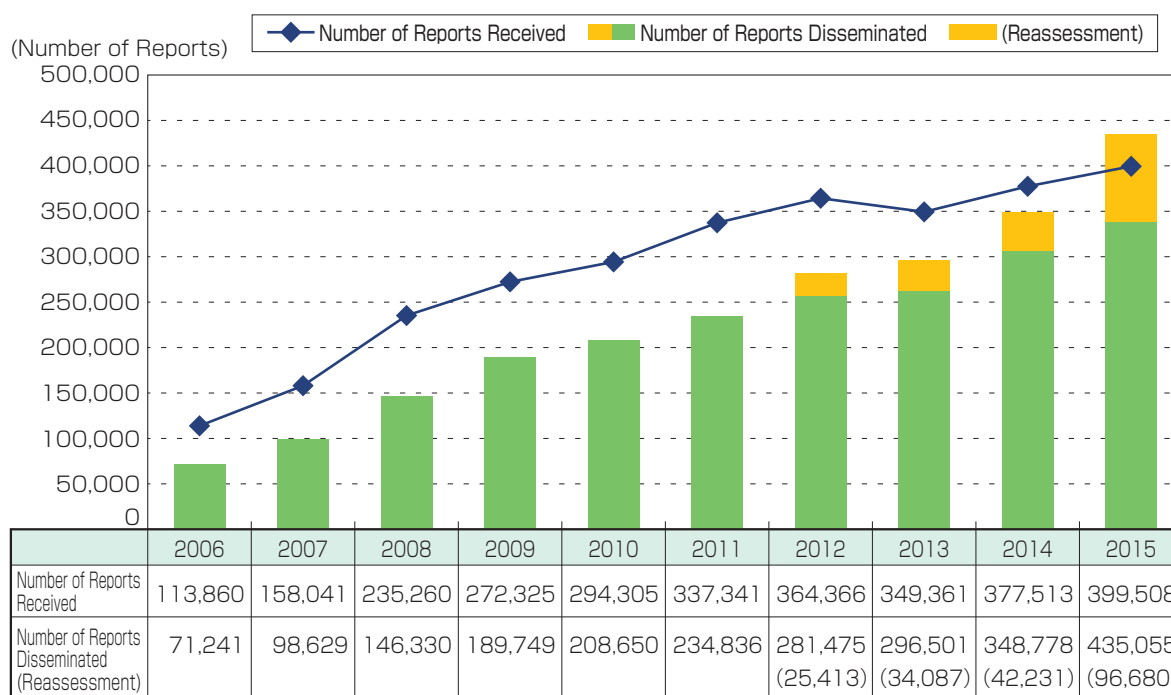
Transmission between the server and the terminals is encrypted with a special circuit.

Section 2 Situation of STR filings in 2015

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 2015 was 399,508, increasing by 21,995 cases (5.8%) from the previous year (see Figure 4-3).

Figure 4-3 Trend Diagram of Number of STRs (2006-2015)



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

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

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

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

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

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

No STRs was deleted in 2015. The number of STRs stored as of the end of 2015 was 3,169,450.

2 Number of Received Reports by Business Types

The number of suspicious transaction reports that each category of business operators filed in 2015 is shown in Table 4-1. Banks etc. have the highest number of reports with 351,009 cases, or 87.9% of all reports, followed by credit card operators (13,666 cases, or 3.8%) and Shinkin banks and credit cooperatives (13,188 cases, or 3.3%) (see Table 4-1).

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

Year Category		2011		2012		2013		2014		2015	
		Number of reports	%	Number of reports	%	Number of reports	%	Number of reports	%	Number of reports	%
Financial Institutions etc.		334,903	99.3%	360,513	98.9%	344,147	98.5%	366,779	97.2%	385,639	96.5%
	Depository Institutions	324,600	96.2%	348,831	95.7%	329,127	94.2%	349,204	92.5%	366,965	91.9%
	Banks etc.	311,298	92.3%	333,868	91.6%	313,435	89.7%	332,443	88.1%	351,009	87.9%
	Shinkin Banks and Credit Cooperative	12,453	3.7%	13,521	3.7%	14,089	4.0%	15,018	4.0%	13,188	3.3%
	Labour Banks	248	0.1%	357	0.1%	290	0.1%	298	0.1%	371	0.1%
	Norinchukin Banks etc.	601	0.2%	1,085	0.3%	1,313	0.4%	1,445	0.4%	2,397	0.6%
	Insurance Companies	677	0.2%	1,837	0.5%	3,002	0.9%	3,817	1.0%	2,918	0.7%
	Financial Instruments Business	6,758	2.0%	5,998	1.6%	7,373	2.1%	7,732	2.0%	8,951	2.2%
	Money Lending Busi- ness	581	0.2%	1,628	0.4%	1,872	0.5%	3,349	0.9%	4,427	1.1%
	Fund Transfer Com- panies	344	0.1%	380	0.1%	363	0.1%	807	0.2%	585	0.1%
	Commodity Futures Traders	5	0.0%	3	0.0%	53	0.0%	16	0.0%	9	0.0%
	Currency Exchanging Operators	1,937	0.6%	1,835	0.5%	2,119	0.6%	1,574	0.4%	1,633	0.4%
	Electronic Monetary Claim Recording In- stitutions	1	0.0%	1	0.0%	1	0.0%	0	0.0%	0	0.0%
	Other	0	0.0%	0	0.0%	237	0.1%	280	0.1%	151	0.0%
Financial Leasing Oper- ators		45	0.0%	109	0.0%	62	0.0%	86	0.0%	160	0.0%
Credit Card Operators		2,350	0.7%	3,664	1.0%	5,086	1.5%	10,608	2.8%	13,666	3.4%
Real Estate Agents		5	0.0%	10	0.0%	1	0.0%	1	0.0%	9	0.0%
Dealers in Precious Metals and Stones		4	0.0%	28	0.0%	7	0.0%	5	0.0%	10	0.0%
Postal Receiving Ser- vice Providers		34	0.0%	42	0.0%	57	0.0%	34	0.0%	24	0.0%
Telephone Receiving Service Providers		0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Telephone Forwarding Service Providers						0	0.0%	0	0.0%	0	0.0%
Other		0	0.0%	0	0.0%	1	0.0%	0	0.0%	0	0.0%
Total		337,341	100.0%	364,366	100.0%	349,361	100.0%	377,513	100.0%	399,508	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	2011		2012		2013		2014		2015	
	Number of reports	%	Number of reports	%	Number of reports	%	Number of reports	%	Number of reports	%
Electronic Application	184,774	54.8%	236,882	65.0%	255,258	73.1%	295,640	78.3%	366,843	91.8%
Other Methods	152,567	45.2%	127,484	35.0%	94,103	26.9%	81,873	21.7%	32,665	8.2%
Total	337,341	100.0%	364,366	100.0%	349,361	100.0%	377,513	100.0%	399,508	100.0%

The ratio of reports by electronic application to all types of report in 2015 was 91.8%, an increase of 13.5 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 specified business operators associated with the reporting obligation.

Section 3 Dissemination and Use of STRs in 2015

Paragraph 1 Dissemination

JAFIC collects, arranges and analyzes all STRs reported by specified business operators that will contribute to the investigation of money laundering, predicate offenses or other offenses, and disseminates them to LEAs. The receiving LEAs are the Prefectural Police, Public Prosecutors Office, Narcotics Control Department, Japan Coast Guard, Japan Customs and SESC.

The number of STRs disseminated to LEAs has kept growing every year mainly because the number of suspicious transaction reports deemed to contribute to the investigation of money laundering crimes and predicate offenses for such crimes has increased as a result of efforts by specified business operators to strengthen the system to monitor anti-social forces and transfer of illicit funds. The number of STRs disseminated to LEAs was 435,055, a record high, in 2015, an increase of 86,277 (24.7 %) from the previous year. (See figure 4-3). There was no request from an investigative authority to view or copy an STR or to have a copy sent to it.

Paragraph 2 Use of STRs in the Prefectural Police

The number of cases cleared by Prefectural Police that were initiated with information in STRs ("STR-initiated cases") has increased every year. The number was 1,096 in 2015, an increase of 95 cases (9.5%) from the previous year.

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

Crime		Year	2011	2012	2013	2014	2015
(1)	Fraud		360	470	453	506	498
	Violation of Act on Prevention of Transfer of Criminal Proceeds		145	239	321	322	397
(2)	Violation of Immigration Act		6	106	123	74	68
	Violation of the Stimulants Control Act		17	16	17	16	31
(3)	Violation of Act on Ensuring the Quality, Efficacy and Safety of Drug and Medical Devices, etc.		2	0	0	2	4
	Violation of the Anti-Drug Special Provisions Law Act on Special Measures Concerning Narcotics, etc.		0	0	0	7	3
	Falsification and supply of electromagnetic records of officially authenticated documents		3	1	8	8	12
	Forgery and use of private documents and fraud		0	4	2	5	5
	False statement on licenses		0	0	1	4	5
	Use of counterfeit signed public documents and fraud		0	2	0	2	2
	Alteration of signed public documents and use of such documents, alteration of signed private documents and use of such documents and fraud		0	0	0	2	2
(4)	Forgery of signed public documents		0	0	0	0	1
	Forgery of signed public documents and fraud assistance		0	0	0	0	1
	Use of counterfeit signed public documents		0	0	0	0	1
	Use of counterfeit signed public documents and violation of Act on Prevention of Transfer of Criminal Proceeds		0	0	0	0	1
	Forgery and use of signed private documents		0	0	0	0	1
	Illegal preparation and supply of private electromagnetic records		0	0	0	0	1
	Violation of Organized Crime Punishment Act (receipt of criminal proceeds, etc.)		0	0	0	2	8
	Violation of Organized Crime Punishment Act (concealment of criminal proceeds, etc.)		0	1	0	5	8
	Fraud and violation of Organized Crime Punishment Act (concealment of criminal proceeds, etc.)		0	2	1	4	4
	Purchase of stolen items and violation of Organized Crime Punishment Act (receipt of criminal proceeds, etc.)		0	0	1	1	2
	Violation of Money Lending Business Act, Investment Deposit and Interest Rate Act and Organized Crime Punishment Act (concealment of criminal proceeds, etc.)		0	1	0	0	1
	Theft and violation of the Organized Crime Punishment Act (concealment of criminal proceeds, etc.)		0	0	0	1	0
(5)	Violation of Banking Act and Organized Crime Punishment Act (concealment of criminal proceeds, etc.)		0	0	0	1	0
	Fraud and violation of Organized Crime Punishment Act (receipt of criminal proceeds, etc.)		0	0	0	1	0
	Violation of Act on Prevention of Transfer of Criminal Proceeds, theft and violation of Organized Crime Punishment Act (receipt of criminal proceeds, etc.)		0	0	0	1	0
	Forgery and use of private documents, fraud and violation of Organized Crime Punishment Act (concealment of criminal proceeds, etc.)		0	0	1	0	0
	Violation of Trademark Act and Organized Crime Punishment Act (concealment of criminal proceeds, etc.)		0	0	1	0	0
	Computer fraud and violation of Organized Crime Punishment Act (concealment of criminal proceeds, etc.)		0	1	0	0	0
	Violation of Act on Recycling, etc. of End-of-Life Vehicles and Organized Crime Punishment Act (receipt of criminal proceeds, etc.)		0	1	0	0	0
(6)	Violation of Money Lending Business Act and Investment Deposit and Interest Rate Act		5	3	5	3	2
	Violation of Money Lending Business Act		3	2	3	3	2
	Violation of Investment Deposit and Interest Rate Act		2	1	1	3	2
(7)	Extortion		2	1	1	1	4
(8)	Distribution of obscene materials		2	0	0	0	3
	Violation of Act on Control and Improvement of Amusement Business, etc.		0	4	0	0	1
(9)	Violation of Banking Act		3	1	5	5	4
(10)	Violation of Worker Dispatch Law		4	2	0	2	4
(11)	Theft		0	2	3	4	3
(12)	Operating a gambling site for profit		0	0	0	0	1
	Operating a gambling site for profit and habitual gambling		0	0	0	0	1
	Embezzlement of lost articles		0	0	0	0	2
	Violation of Trademark Law		1	1	1	2	1
	Breach of trust		0	1	0	0	1
	Supply of electromagnetic records for illegal instructions		0	0	0	0	1
	Blackmailing		0	0	0	0	1
	Violation of Companies Act		0	1	0	0	1
	Violation of the Financial Instruments and Exchange Act		1	0	0	0	1
	Violation of Construction Business Act		0	1	0	0	1
	Others		14	22	14	14	4
	Total		570	886	962	1,001	1,096

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

The following describes each type of the violation.

- (ii) Fraud-related crimes (fraud and violations of the Act on Prevention of Transfer of Criminal Proceeds) totaled 895 cases, the largest number that comprises 81.7% of all cases, which included arrests for bank passbook smuggling, fraud over online auctions, fraudulent receipt of welfare benefits, loan fraud cases involving financial institutions as victims and so forth.
- (iii) Illegal stays (violations of the Immigration Control Act) totaled 68 cases, which included cases of foreign nationals who had overstayed or who had worked without working qualifications.
- (iv) Drug crimes (violation of the Stimulants Control Act and the Act Concerning Special Provisions for the Narcotics and Psychotropics Control Act for the Prevention of Activities Encouraging Illicit Conducts and Other Activities Involving Controlled Substances through International Cooperation) totaled 38 cases, which included arrests for the possession and/or smuggling of stimulants, etc.
- (v) Counterfeiting crimes (false entries in the original of an electromagnetic notarized deed and use of such deed, counterfeiting private documents, use of counterfeiting private documents and related fraud, uttering counterfeit official documents bearing a seal or signature and related fraud) totaled 32 cases, which included arrests for fraud related to deposit and savings accounts using forged identification documents, and sham marriage.
- (vi) Money laundering offenses (violation of the Act on Punishment of Organized Crimes and Control of Crime Proceeds (concealment and receiving of criminal proceeds) totaled 23 cases, which included arrests for concealment and receiving of criminal proceeds obtained through fraud, loan shark crimes, etc..
- (vii) Loan sharks (violation of the Money Lending Business Act and the Act Regulating the Receipt of Contributions, Receipt of Deposits and Interest Rates) totaled 6 cases, which included arrests for unregistered business operation and loan-sharking.
- (viii) There were four cases of extortion, in which Boryokudan members were arrested for extortion of protection money.
- (ix) There were four cases of entertainment business-related offenses (distribution of obscene material, violations of the Act on Control and Improvement of Amusement Business, etc., which included possession of obscene DVDs for sales purpose and entertainment business-related offenses in areas where the operation of entertainment business outlets is prohibited.
- (x) Underground banking (violation of the Banking Act) totaled 4 cases, which included arrests for unauthorized overseas remittances by foreign residents in Japan in violation of the Banking Act.
- (xi) Offenses related to labor affairs (Worker Dispatching Act) totaled 4 cases, which included the dispatch of workers for engagement in construction work in violation of the Worker Dispatching Act.
- (xii) Theft totaled 3 cases, which included fraudulent cash withdrawal from ATMs using a cash card that had been obtained through ID theft.

- (xiii) There were two cases of gambling-related offenses (opening and operation of gambling sites for profit), in which arrests were made in connection with gambling activity by Boryokudan members.

In 2015, there were 32 money laundering offense arrests which were also STR-initiated cases, of which in addition to the above 23 cases, there were another 9 arrests for STR-initiated predicate offenses which finally led to an arrest for money laundering as well. By predicate offense type, fraud accounted for 50.0% 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	2011	2012	2013	2014	2015
Fraud	9	7	6	16	16
Violation of Investment Deposit and Interest Rate Act	1	0	0	1	4
Violation of the Money Lending Business Act, Investment Deposit and Interest Rate Act	3	3	1	0	3
Violation of the Money Lending Business Act	1	1	1	1	2
Pharmaceutical Affairs Act	0	0	0	0	2
Distribution of obscene objects	1	0	0	0	1
Extortion	0	0	0	0	1
Violation of the Banking Act	0	0	3	3	1
Companies Act	0	0	0	0	1
Violation of the Worker Dispatching Act	0	0	0	0	1
Others	2	4	1	4	0
Total	17	15	12	25	32

*The figures concerning the Pharmaceutical Affairs Act represent cases in which the act was applied before its name was changed as a result of the enforcement of the Act to Partially Amend the Pharmaceutical Affairs Act, etc. (Act No. 84 of 2013) on November 25, 2014.

In 2015, 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

Classification \ Year	2011	2012	2013	2014	2015
Confiscation	5	8	5	1	3
Collection of Equivalent Value	1(4)	(5)	(1)	2(2)	1(1)
Total	6(4)	8(5)	5(1)	5(2)	4(1)

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

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

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

The number of STRs used for investigation by Prefectural Police was 265,346 in 2015, an increase of 21,870 cases (9.0%) from the previous year (see Table 4-6).

Table 4-6 Number of STRs Used for Investigative Purposes

Classification \ Year	2011	2012	2013	2014	2015
Number of STRs used in investigation of initiated cases	2,674	3,811	3,781	4,608	6,308
Number of STRs used in investigation of cases other than the abovementioned cases	103,103	184,510	190,063	238,868	259,038
Total	105,777	188,321	193,844	243,476	265,346

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

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

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

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

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

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

Paragraph 3 Utilization of Reports by National Investigative Authorities

1 The Public Prosecutor's Offices

STRs are used in cases sent by investigative authorities as well as in conducting secret investigation. STRs are useful for identifying criminal facts in investigating further crimes and

accomplices in the context of their utilization such as for corroborating statements by offenders and associated parties and identifying bank accounts suspected of use in crime. STRs are also used for a wide range of activities, including monitoring the flow of funds of Boryokudan and other crime organizations and examining the actual state of organized crime.

2 The Narcotics Control Department

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

3 The Japan Coast Guard

The Japan Coast Guard utilizes STRs to analyze the relationship with those which are reported to bear a high risk of committing a crime, as well as to promote the prevention of organized smuggling of restricted items and immigrants.

It also utilizes foreign FIU information provided through the National Public Safety Commission and the National Police Agency at its request for investigations into such smuggling organizations.

4 Customs

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

5 The Securities and Exchange Surveillance Commission (SESC)

SESC conducts investigations into malicious activities which harm the fairness of transactions including financial instrument transactions, such as fraudulent securities reports (fraudulent accounting), insider trading, market manipulation and other fraudulent means.

In investigations of criminal cases, SESC independently identifies and analyzes relevant accounts or securities accounts. When doing so, it actively uses STR in order to identify the facts of the offenses.

Chapter 5

Crackdown on Money Laundering

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

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

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

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

Section 1 Arrests made for the violation of the Act on Prevention of Transfer of Criminal Proceeds in 2015

The Act on Prevention of Transfer of Criminal Proceeds stipulates penalties to ensure the effectiveness of supervisory mechanisms put in place by the competent administrative authorities over specified business operators (excluding lawyers) and penalties on the trade of savings passbooks, and the police are enhancing its efforts to crack down on such practices. Numerous money laundering crimes involve the illicit use of savings passbooks and foreign exchange cards, etc. in the name of another party. The number of arrests made for the illicit transfer of savings passbooks in 2015 was 1,619 cases, a decrease of 32 cases (1.9%) from the previous year (see Table 5-1).

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

Category \ Year	2011	2012	2013	2014	2015
Transfer etc. of savings passbooks (business)	18	32	18	19	25
Transfer etc. of savings passbooks (non-business)	1,221	1,487	1,570	1,584	1,559
Soliciting the transfer of passbooks, etc.	22	24	17	14	16
Transfer of foreign exchange cards, etc.	0	0	0	33	19
Others	0	1	0	1	0
Total	1,261	1,544	1,605	1,651	1,619

Section 2 Cleared Cases of Money Laundering in 2015

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

1 Number of Cleared Cases

There were 381 cases cleared of money laundering under the Act on Punishment of Organized Crimes in 2015, consisting of 2 cases of management control through illicit proceeds, 234 cases of concealment of criminal proceeds (note), and 145 cases of receipt of criminal proceeds. The total number of cases represented an increase of 88 cases (30.0%) from the previous year. (See Table 5-2)

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

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

Category \ Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Management Control through Illicit Proceeds (Article 9)	1 (0)	0 (0)	1 (1)	0 (0)	1 (0)	1 (0)	0 (0)	2 (0)	1 (1)	2 (0)
Concealment of Criminal Proceeds etc. (Article 10)	91 (18)	137 (35)	134 (41)	172 (49)	139 (46)	150 (43)	158 (27)	171 (35)	180 (26)	234 (43)
Receipt of Criminal Proceeds etc. (Article 11)	42 (35)	40 (25)	38 (21)	54 (41)	65 (44)	92 (38)	80 (28)	99 (40)	112 (28)	145 (46)
Total	134 (53)	177 (60)	173 (63)	226 (90)	205 (90)	243 (81)	238 (55)	272 (75)	293 (55)	381 (89)

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 127, followed by 102 cases of fraud, 27 cases of illegal loaning, 19 cases of unauthorized entertainment business, and 15 cases of habitual gambling and running a gambling place for profit.

2 Modus Operandi of Money Laundering observed in Cleared Cases

(1) Management control with funds of illicit proceeds

The cases of management control through illicit proceeds in 2015 had violations of the Act Regulating the Receipt of Contributions, Receipt of Deposits and Interest Rates and the Trademark Act as the predicate offense. In both of these cases, offenders arranged for acquaintances to obtain the position of an originator when founding stock companies with illicit proceeds (Note) gained through the predicate offense and to be appointed as board directors of the companies by having them exercise 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 related to violation of the Act Regulating the Receipt of Contributions, Receipt of Deposits and Interest Rates

An unemployed man, aiming to found a stock company using a portion of illegal proceeds totaling billions of yen, collected through illegal means from members across Japan, remitted funds equivalent in amount to that portion of the illegal proceeds to an acquaintance's account and had the acquaintance and others pay for shares issued when the company was founded using the said funds. Through this means, the unemployed man, with the aim of obtaining the management control of the company himself, arranged for the acquaintance and others to obtain the position of an originator, to be appointed as board directors of the company at the time of foundation and to make foundation registration of the company at a regional legal affairs bureau by exercising their authority as the originator. As a result, the unemployed man was arrested for violating the Act on Punishment of Organized Crimes (management control through illicit proceeds).

(Kyoto, in January)

(2) Examples of Concealment of Criminal Proceeds

Instances of concealment of criminal proceeds in 2015 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 violation of the Act on Control and Improvement of Amusement Business, etc.

A man managing entertainment business outlets was managing multiple hostess clubs without authorization and arranged for around ¥85 million in revenue from the clubs to be remitted to accounts opened in other persons' names. As a result, the man was arrested for violating the Act on Punishment of Organized Crimes (concealment of criminal proceeds) (Osaka, in May)

[Case 3] Concealment of criminal proceeds related to violation of the Pharmaceutical Affairs Act

A male executive of a company and others sold dangerous drugs, which are pharmaceuticals, under false product names, to general customers without authorization via cash on delivery post and arranged for employees of Japan Post and others remit funds totaling ¥3.1 million in sales revenue to accounts opened in the name of a company managed by the executive and others. As a result, the executive and others were arrested for violating the Act on Punishment of Organized Crimes (concealment of criminal proceeds). (Miyagi, in March)

*The Pharmaceutical Affairs Act was applied before its name was changed as a result of the enforcement of the Act to Partially Amend the Pharmaceutical Affairs Act, etc. (Act No. 84 of 2013) on November 25, 2014.

[Case 4] Concealment of criminal proceeds related to a theft case

A man who is an employee of an organization concealed around ¥80,000 in cash, which had been stolen by him from the office where he was working, in the tank of the office's flush toilet after placing the money in a vinyl package. As a result, the man was arrested for violating the Act on Punishment of Organized Crimes (concealment of criminal proceeds). (Saitama, in July)

(3) Examples of Receipt of Criminal Proceeds etc.

In the cases on receipt of criminal proceeds which were cleared in 2015, there are cases where offenders received criminal proceeds derived from theft, fraud and violation of the Act on Control and Improvement of Amusement Business, etc. through bank transfer and purchase of stolen items, which shows these criminal proceeds can be transferred to other individuals in diverse ways.

[Case 5] Receipt of criminal proceeds related to corporate embezzlement

An unemployed man received around ¥4.9 million, which had been embezzled by his sister from the company she worked for, by arranging her to remit the funds to his own account under the guise of a loan repayment while knowing of the embezzlement. As a result, the man was arrested for violating the Act on Punishment of Organized Crimes (receipt of criminal proceeds). (Hiroshima, in March)

[Case 6] Receipt of criminal proceeds related to a theft case.

A man who was a contract worker received around ¥17,000 in cash from an acquaintance in exchange for driving a car for him while knowing the money was paid from funds obtained through the sale of construction materials stolen by him from a housing construction site. As a result, the man was arrested for violating the Act on Punishment of Organized Crimes (receipt of criminal proceeds). (Metropolitan Police Department, in April)

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

There were a total of 89 cases cleared of money laundering related to Boryokudan (including Boryokudan members, associates, and other related parties) in 2015, consisting of 43 cases of concealment of criminal proceeds, and 46 cases of receipt of criminal proceeds. This number accounts for 23.4% of all cases cleared of money laundering under the Act on Punishment of Organized Crimes in 2015.

In each type of case of money laundering related to Boryokudan, there were 24 fraud cases, 14 cases of loan-sharking, and 11 cases of theft. This indicates that Boryokudan commit money laundering by a variety of predicate offenses.

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

Looking at the cases of concealment of criminal proceeds by Boryokudan in 2015, there were 11 cases each of loan-sharking and fraud and 5 cases of theft.

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

[Case 7] Concealment of criminal proceeds related to violation of the Money Lending Business Act by a senior member of Boryokudan, Godaime Kudo-kai and others

A male senior member of Godaime Kudo-kai who were engaging in loan-sharking and others arranged for borrowers to remit a total of around ¥45 million in loan repayments to multiple accounts opened in the names of other persons. As a result, they were arrested for violating the Act on Punishment of Organized Crimes (concealment of criminal proceeds). (Fukuoka, in July)

【Case 8】 Concealment of criminal proceeds related to violation of the Act on Control and Improvement of Amusement Business, etc. by a senior member of Boryokudan, Rokudaime Yamaguchi-gumi and others

A senior member of Rokudaime Yamaguchi-gumi and others were managing a hostess club without authorization and arranged for around ¥4.8 million in revenue to be remitted to an account opened in the name of another person. As a result, they were arrested for violating the Act on Punishment of Organized Crimes (concealment of criminal proceeds) (Osaka, in May)

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

Cleared cases of receipt of criminal proceeds by Boryokudan in 2015 consisted of 13 fraud cases, 7 prostitution cases and 6 theft cases.

Cases of receipt of criminal proceeds included receipt of proceeds obtained through fraud, 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 9】 Receipt of criminal proceeds related to violation of the Anti-Prostitution Act by a member of Boryokudan, Rokudaime Yamaguchi-gumi

A male member of Rokudaime Yamaguchi-gumi received ¥30,000 in cash as protection money from a male company employee and others while knowing that the money was paid from funds obtained through prostitution brokerage. As a result, the male member was arrested for violating the Act on Punishment of Organized Crimes (receipt of criminal proceeds). (Hokkaido, in June)

4 Money Laundering conducted by Foreign Visitors to Japan

In cleared cases of money laundering under the Act on Punishment of Organized Crimes in 2015, there were 34 cases related to foreign visitors to Japan, representing 8.9% of all cases.

Looking at these 34 cases, there were 16 cases of concealment of criminal proceeds and 18 cases of receipt of criminal proceeds. Looking at the predicate offenses, there were 16 cases of theft, and 11 cases of fraud. It can be seen that criminals of foreign nationalities operating in Japan use various methods to carry out money laundering, including the use of bank accounts in Japan made in the names of other parties.

[Case 10] Receipt of criminal proceeds related to a theft case

A male company employee who lives in Japan and who is a national of the Republic of Afghanistan and others purchased vehicles for ¥500,000 from a male acquaintance and others while knowing that the vehicles had been stolen by them. As a result, the male company employee was arrested for receiving stolen property with compensation and for violating the Act on Punishment of Organized Crimes (receipt of criminal proceeds). (Aichi, in March)

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 2015 was 8 cases, an increase of 1 case (14.3%) from the previous year (see Table 5-3).

In some cases, money laundering is artfully committed for funds acquired through drug offenses such as smuggling of stimulants, in which purchasers' payments are deposited into a bank account under the name of another party (Case 11). (Note)

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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Concealment of drug-related criminal proceeds etc. (Article 6)	5 (3)	5 (4)	10 (4)	5 (1)	8 (4)	8 (3)	8 (2)	6 (6)	5 (3)	5 (3)
Receipt of drug-related criminal proceeds etc. (Article 7)	5 (2)	2 (1)	2 (1)	5 (3)	1 (1)	0 (0)	3 (2)	4 (4)	2 (2)	3 (2)
Total	10 (5)	7 (5)	12 (5)	10 (4)	9 (5)	8 (3)	11 (4)	10 (10)	7 (5)	8 (5)

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

[Case 11] Concealment of drug-related criminal proceeds related to trafficking of stimulants

A man who was engaging in trafficking of stimulants sold stimulants using letter pack service and arranged for customers to remit a total of ¥13.5 million in payment to an account opened in the name of another person. As a result, the man was arrested for violating the Anti-Drug Special Provisions Act (concealment of drug-related criminal proceeds. (Metropolitan Police Department, in January)

Section 3 Temporary Restraining Order for Confiscation of Criminal Proceeds before Institution of Prosecution in 2015

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 2015 (on the request of judicial police officers) was 220 (an increase of 27 cases (14%) from the previous year), the largest number since the enforcement of the Act in 2000 (see Table 5-4).

A breakdown of this figure by type of offense includes 84 cases of unlicensed entertainment business, 40 cases of habitual gambling and running a gambling place for profit, 22 cases of prostitution offenses, and 11 cases each of fraud, loan-sharking and helping illegal employment.

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

Year	Cases	Total amount of credit	Others
2006	9 (3)	¥52,680,512	
2007	21 (7)	¥268,801,546	
2008	44 (21)	¥314,239,728	
2009	54 (23)	¥270,188,760	Foreign currency: US\$750
2010	70 (36)	¥160,597,150	Land: 605.95㎡ Building: 1 Passenger vehicles: 2 Necklace: 1
2011	101 (30)	¥134,764,985	
2012	148 (39)	¥3,380,337,707	Light vehicle: 1 Passenger vehicle: 1 Condominium: 1 unit
2013	160 (54)	¥362,399,577	Land: 522.64㎡ Passenger vehicle: 1
2014	193 (45)	¥345,333,578	Pure silver bell: 1
2015	220 (44)	¥341,264,257	Passenger vehicle: 3

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

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

The number of the Orders has increased 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 offenses 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 offenses 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 2014 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, claims on advance payment on behalf of a third party for credit sales, and rights to claim the price of transferred receivables.

【Case 12】 Temporary restraining order against fee revenue from dispatching of workers related to violation of the Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers by a member of Boryokudan, Sumiyoshi-kai

A male member of Sumiyoshi-kai who was engaging in the worker dispatching business and others dispatched workers to engage in construction work, a type of work for which worker dispatching is prohibited, in violation of the Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers. In relation to this case, a temporary restraining order was issued against around ¥110,000 in deposit claims held in an account into which fees for the dispatching of workers was paid. (Tochigi, in June)

【Case 13】 Temporary restraining order against proceeds related to habitual gambling

A man who was managing a game café let customers engage in gambling by installing mahjong game machines in the store and stored around ¥17 million in cash obtained through the gambling business in a safe in the store. As a result, a temporary restraining order was issued against the cash. (Mie, in February)

【Case 14】 Temporary restraining order against revenue related to violation of the Act on Control and Improvement of Amusement Business, etc.

A man managing restaurants was also managing a host club without authorization in violation of the Act on Control and Improvement of Amusement Business, etc., and he and others stored around ¥11 million in cash in revenue from the club in their homes and other locations. In addition, around ¥13 million were deposited in accounts opened in the name of their relatives. As a result, a temporary restraining order was issued against the cash and cash deposits. (Gunma, in February)

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

The number of Temporary Restraining Orders issued under the Anti-Drug Special Provisions Law in 2015 was 14 cases, a decrease of 2 cases (12.5%) from the previous year (see Table 5-5).

For example, a Temporary Restraining Order was issued against proceeds (cash) obtained from trafficking of stimulant drugs which were sold illegally (Case 15).

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

Year	Cases	Total amount of credit	Others
2006	3 (2)	¥10,432,915	
2007	4 (3)	¥45,032,829	
2008	7 (5)	¥23,344,267	
2009	8 (5)	¥29,215,674	
2010	13 (7)	¥33,591,421	Travelers Cheque: US\$11,500 Necklace: 1 Watch: 2 Passenger vehicle: 1
2011	14 (4)	¥11,678,611	Foreign currency: US\$5,000 Passenger vehicle: 3 Key: 1
2012	16 (8)	¥30,026,428	
2013	4 (4)	¥19,985,691	
2014	16 (9)	¥40,625,322	Foreign currency: US\$20,700 Foreign currency: CNY260 Land: 150.68㎡ Building: 1 Passenger vehicle: 1 Car seat: 3 Key: 2 Mobile phone: 1
2015	14 (10)	¥37,318,473	Mobile phone: 1

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

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

[Case 15] A temporary restraining order against drug-related criminal proceeds related to organized trafficking of stimulants

A man who was a trafficker was identified through a undercover investigation of an Taiwanese stimulant trafficking organization and was arrested, and a temporary restraining order was issued against ¥8 million in cash obtained by the trafficker through trafficking of stimulants. (Kanagawa, in August)

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.

Table5-6 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
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
2013	119	701,489	47	16,431,835	166	17,133,324
2014	72	117,462	62	408,319	134	525,782

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
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
2013	61	16,407	214	506,150	275	522,558
2014	52	9,266	231	325,307	283	334,574

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

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

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

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

Section 5 Cases of Cross-Border Money Laundering

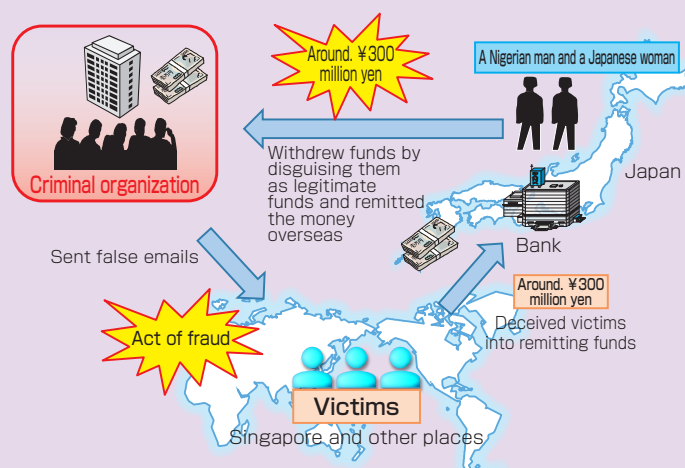
[Case 16] Concealment of Criminal Proceeds related to an act of international fraud by a Nigerian and an associate that caused huge financial damage

A Nigerian man and a Japanese woman withdrew funds from an account at a Japanese bank opened in the name of the Nigerian into which victims of fraudulent commercial transactions deceived by falsified emails remitted money from Singapore and other places. When withdrawing the funds, they falsely explained to a bank employee that those funds were remittances related to normal commercial transactions, thereby disguising the money as legitimate business profit. As a result, they were arrested for violating the Act on Punishment of Organized Crimes (concealment of criminal proceeds).

A total of around ¥300 million were paid from foreign countries, including the United States, into the account held by the Nigerian man over the preceding several years through a total of 51 remittances.

The funds withdrawn by the offenders were transferred to accounts held by the Japanese woman and others or remitted to overseas accounts.

(Niigata and Saitama, in January)



Chapter 6

Promotion of International Cooperation

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

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

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

Section 1 Activities of International Institutions

Paragraph 1 FATF

1 FATF

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

FATF has 34 member jurisdictions (including Japan) and 2 international institutions as of December 2015.

2 Activities

(1) Main Activities

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

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

(2) FATF Recommendations

a) FATF 40 Recommendations

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

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

The “40 Recommendations” contained following additional elements (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 US terrorist attacks, FATF held an Emergency Session. The agreement of the session was reflected in “the Special Recommendations.” Since FATF added a new recommendation on “cash couriers” to this in 2004, it is now called “the 9 Special Recommendations on Terrorist Financing.” Main points of the 9 Special Recommendations are as follows (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”

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

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

- 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

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

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

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

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

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

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

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

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

In response to the new 40 Recommendations, the fourth round of FATF Mutual Evaluation of its member jurisdictions started in 2013 based on the assessment methodology (evaluation standard for assessors) that was adopted in the same year.

【FATF Plenary Meeting (France)】



3 Mutual Evaluation

FATF conducted Mutual Evaluations on Japan three times (in 1994, 1998 and 2008).

In the third round Mutual Evaluation (TC), for each of the 40 Recommendations and the 9 Special Recommendations, Japan was rated at C (Compliant) on four recommendations, at LC (Largely Compliant) on 19 recommendations, at PC (Partially Compliant) on 15 recommendations and at NC (Non-Compliant) on 10 recommendations (See Table 6-1; besides those recommendations, there was one N/A (Not Applicable) with respect to Japan).

Japan, which has reported the progress in the work at the FATF Plenary Meeting with respect to its activities to address the deficiencies identified in the third round Mutual Evaluation.

The fourth round Mutual Evaluation of Japan is scheduled to be conducted in July or August 2019. Specifically, the evaluation team will make an on-site visit and the evaluation will be conducted at a Plenary Meeting in February 2020.

4 JAFIC's Participation

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

Table 6-1 Overview of the “40 Recommendations” and “9 Special Recommendations,” and Results of the Third FATF Mutual Evaluation of Japan (2008)

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 mea- sures	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 in- stitutions)	NC	28	Power of competent authorities	C
6	Individuals who are or have been en- trusted with prominent public func- tion 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 transac- tion record	LC	33	Legal person-beneficial owners	NC
11	Obligation to pay special attention for unusual transaction	PC	34	Legal arrangements (trust) - benefi- cial owners	NC
12	Customer due diligence by DNFBP (designated non-financial business- es and professions)	NC	35	Convention	PC
13	Suspicious Transaction Report by fi- nancial institutions (STRs)	LC	36	Mutual legal assistance	PC
14	Obligation to protect reporter	LC	37	Dual criminality	PC
15	Obligation to maintain internal con- trols	NC	38	Mutual legal assistance on confis- cation and freezing	LC
16	Suspicious Transaction Report by DNFBP	PC	39	Extradition	PC
17	Sanction for non-compliance	LC	40	International cooperation (informa- tion exchange with foreign counter- parts)	LC
18	Shell bank (bank incorporated in a jurisdiction in which it has no physi- cal presence)	PC	9 Special Recommendations		
19	Other forms of reporting	C	I	Implement United Nation instru- ments	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 as- sets	PC
22	Foreign branches & subsidiaries	NC	IV	Suspicious transaction reporting re- lated to terrorism	LC
			V	International cooperation for terror- ism	PC
			VI	Money/value transfer services	PC
			VII	Wire transfer rules	LC
			VIII	Non profit organization (NPO)	PC
			IX	Cross border declaration & disclo- sure (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
			23	16	DNFBPs: Other measures
2	31	National cooperation and coordination	24	33	Transparency and beneficial ownership of legal persons
3	1 2	Money laundering offence	25	34	Transparency and beneficial ownership of legal arrangements
4	3	Confiscation and provisional measures	26	23	Regulation and supervision of financial institutions
5	II	Terrorist financing offence	27	29	Powers of supervisors
6	III	Targeted financial sanctions related to terrorism & terrorist financing	28	24	Regulation and supervision of DNFBPs
7	—	Targeted financial sanctions related to proliferation	29	26	Financial intelligence units
8	VIII	Non profit organisations (NPO)	30	27	Responsibilities of law enforcement and investigative authorities
9	4	Financial institution secrecy laws			
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	VII	Money or value transfer services	35	17	Sanctions
15	8	New technologies	36	35 I	International instruments
16	VII	Wire transfers			
17	9	Reliance on third parties	37	36 V	Mutual legal assistance
18	15 22	Internal controls and foreign branches and subsidiaries	38	38	Mutual legal assistance: freezing and confiscation
19	21	Higher-risk countries	39	39	Extradition
20	13 IV	Reporting of suspicious transactions			
21	14	Tipping-off and confidentiality	40	40	International cooperation (information exchange with foreign counterparts)

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 Arabian numbers under the “Old Recommendations” refer to the “40 Recommendations,” while the Roman numbers are the Recommendation numbers for the “9 Special Recommendations.” “-” indicates a new recommendations under the new 40 Recommendations.

Paragraph 2 APG

1 APG

APG (Asia/Pacific Group on Money Laundering) is an international cooperative body whose establishment was decided in February 1997 at the FATF 4th Asia/Pacific Money Laundering Symposium held in Thailand. In the context of increasing risks of vulnerability to money laundering in the Asia/Pacific region, the APG was established to promote regional cooperation, adoption of the international standards, and to provide assistance to jurisdictions. As of the end of December 2015, the APG consists of 41 jurisdictions, including Japan.

2 Activities

The main activities of APG are as follows.

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

3 JAFIC's participation

Japan is one of the founding members of APG and has been actively contributing to the activities of APG, much as it has with FATF. For example, the first Plenary Meeting and second typology meeting were both held in Tokyo in March 1998 and March 1999, respectively. Japan took on the co-chair with Australia between July 2004 and June 2006.

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

【APG Annual Meeting (New Zealand)】



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 anti-money laundering measures. The group is named after the Egmont castle in Belgium where the first plenary session was held. Although the Egmont Group was established as an informal forum at the beginning, it has become an internationally recognized official body at

present, through the adoption of the Egmont Group Charter at the May 2007 annual plenary in Bermuda and the establishment of its permanent Secretariat in Toronto, Canada.

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

The Egmont Group consists of FIUs of 151 jurisdictions as of the end of December 2015.

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.

【Egmont Group Meeting (Barbados)】



Since the National Public Safety Commission / National Police Agency started to take the responsibility as Japan FIU in April 2007, JAFIC became Japan FIU from JAFIO, was granted the Egmont Group membership at the 15th Plenary Meeting held in Bermuda in May 2007. After joining the Egmont Group, JAFIC has sent its members to both the annual meetings and working groups to participate in the discussions on the principles related to information exchange between FIUs and other matters.

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 U.S. FIU staff members regarding Pakistan FIU's membership qualification.

Section 2 Progress of the International Cooperation in 2015

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 2015

	Month	Name of meeting	Location
FATF	February	Plenary Meeting	Paris (France)
	June	Plenary Meeting	Brisbane (Australia)
	October	Plenary Meeting	Paris (France)
	December	Extraordinary Meeting	Paris (France)
APG	July	Annual Meeting	Auckland (New Zealand)
	November	Typology Meeting	Kathmandu (Nepal)
Egmont Group	January	Working Group	Berlin (Germany)
	June	Annual Meeting	Bridgetown (Barbados)

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 (Article 14 from October 1, 2016) 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 transac-

tions to foreign FIUs on condition that there is a framework governing the restrictions on the use of the disseminated information in foreign countries.

In response, JAFIC has established the necessary framework by exchanging a document specifying the restrictions on the use of provided information and other matters with foreign FIUs. JAFIC has been coping with the negotiations for establishing the frameworks for information exchange with numerous foreign FIUs in order to enable constructive exchange of information with them.

From its establishment of April 2007 till the end of 2015, JAFIC has set the frameworks for information exchange with the FIUs of 86 jurisdictions. (See Table 6-4).

【Establishment of Framework
with Fiji FIU】



【Establishment of Framework
with Jordan 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 Republic, Mongolia, Aruba, Colombia, Lebanon, Sweden, Peru, Armenia
2013	British Virgin Islands, Malta, Israel, Bermuda, Liechtenstein, Bangladesh, Sri Lanka, Denmark, Bolivia, Russia, Slovenia, Seychelles, Senegal, Costa Rica, Bahrain, Latvia, Vietnam, Turkmenistan, Poland, Isle of Man, Jersey, Guernsey, New Zealand, Nepal
2014	Algeria, Monaco, Saint Martin, Saint Vincent and the Grenadines, Anguilla, Panama, Curaçao, Gibraltar
2015	Myanmar, Cabo Verde, Turks and Caicos Islands, Fiji, Jordan, Tajikistan, Kyrgyzstan, Kazakhstan

2 Situation of Information Exchange

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

As JAFIC allocated sufficient resources to STR analysis, it has made actively arrangements on information exchange with foreign FIUs. In 2015, unusual or unreasonable money transfers to and from foreign countries, which were identified in STR analyses, JAFIC, for further analysis, made 183 requests to relevant foreign FIUs for information such as the flow of funds transferred out of Japan, the source of remittance from abroad.

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

The number of cases where JAFIC exchanged information with foreign FIUs in 2015 totaled 330 (an increase of 76 cases (29.9%) from the previous year), which is a record high. (See Table 6-5).

Table 6-5 Number of cases of dissemination of and request for information between JAFIC and foreign FIUs

Category \ Year	2011	2012	2013	2014	2015
Number of requests for information from foreign FIUs to JAFIC	63	53	73	34	67
Number of requests for information from JAFIC to foreign FIUs	136	100	159	166	183
Number of spontaneous disclosure from foreign FIUs to JAFIC	18	29	28	37	50
Number of spontaneous disclosure from JAFIC to foreign FIUs	16	9	21	17	30
Total	233	191	281	254	330

3 Discussions

In order to facilitate exchange of information, JAFIC has carried out various activities including having discussions to promote information exchange, in the context of approaches such as learning analysis techniques in foreign FIUs, studying how the foreign LEAs utilize STRs and visiting FIUs of jurisdictions where there is a need for close coordination especially from the viewpoint of effective AML/CFT and where JAFIC has not established the framework for information exchange.

The following presents the discussions held with foreign FIUs and international organizations in 2015:

March: Discussions with Laos FIU (Vientiane)

Information sharing session with Myanmar FIU (Naypyidaw)

September: Information sharing session with Jordan FIU (Amman)

【Discussions with Laos FIU】



【Information sharing session with Myanmar FIU】



【Information sharing session with Jordan FIU】





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