

Anti-money laundering tools for disrupting crimes that affect the environment

5 minutes speech to be video-recorded by Mr. Wilson Onea, Acting Director, FASU, PNG

**To be delivered at the 2022 CCPCJ Expert Discussions on Crimes that Affect the Environment,
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Excellencies, distinguished colleagues and participants, I am honored for participating today in this important event organized by the United Nations Commission on Crime Prevention and Criminal Justice. I am the Deputy Director, currently acting as Director, of the Financial Analysis and Supervision Unit, or FASU, of the Bank of Papua New Guinea. FASU is PNG's financial intelligence unit and AML/CTF regulator.

Papua New Guinea is a country blessed with richness in natural resources and is home to one of the largest rainforests in the world. But unfortunately, our forests are being exploited by unscrupulous individuals and foreign logging companies facilitated by a network of tax-havens, local and foreign banks, lawyers, accountants, corrupt officials and politically exposed persons.

PNG's AML/CFT National Risk Assessment has since 2017 recognized forestry crimes as one of the top threats for generating illegal proceeds in our country. This result has made it possible for Papua New Guinea to prioritize money laundering from forestry crimes and to take further steps that resulted in increased cooperation with international organizations such as the United Nations Office on Drugs and Crime and INTERPOL for strengthening the capacities in fighting money laundering so that forestry crimes could be reduced. In fact, since 2018, FASU and other relevant authorities in Papua New Guinea started implementing capacity building activities with UNODC and INTERPOL within the framework of the Law Enforcement Assistance Programme (LEAP) to reduce deforestation.

Through LEAP, FASU enhanced the skills of its staff which resulted in an increased quantity and quality of financial intelligence disseminated at national and international level.

In 2019 Papua New Guinea joined the Egmont Group of financial intelligence units. Becoming a member of Egmont, and the expanded opportunity to share financial intelligence with foreign counterparts, assisted us to unmask the hidden, and not-so hidden relationships between shell companies, banks, lawyers and accountants across the jurisdictions in which the illegal proceeds generated from forestry crimes in Papua New Guinea are laundered, stored and enjoyed.

Through the initiative with UNODC we have extended the engagement to involve the private sectors, including the financial institutions and the relevant industry association, in our activities and trainings. Through those activities we have increased awareness on the risks for money laundering from forestry crimes in order to prevent the misuse of the financial system and the exploitation of our forests.

There still remain challenges in terms of criminal investigations and seizure or confiscation of illegal proceeds. Sadly, this laundering occurs through products and services offered by tax-havens that allow the perpetrators to access de-link themselves from the offences committed in PNG; move the proceeds anonymously; and finance their operations in PNG. All too-often though "laundering" of such proceeds occurs out in the open. Conducted by perpetrators and facilitators who are very comfortable in the knowledge that no one has mounted a successful cross-border action on illicit proceeds from PNG ever.

Despite developing a detailed understanding of how timber is stolen from PNG, and which people, companies and jurisdictions are involved, there are very few options available to use to address this problem.

The increase in international cooperation that came with our inclusion in Egmont, in fact, has only expanded our understanding of the insurmountable difficulties associated with the current approach to transnational organised crime. Through the various financial intelligence products that we have worked on through the investigative support program with INTERPOL and the capacity building program with UNODC, what we have come to understand are seven things:

- 1) On the whole, the bulk of the proceeds of illegal logging never return to PNG – they remain in foreign jurisdictions – sometimes protected by anonymous legal structures offered by secrecy havens – sometimes not;
- 2) Certain elements of the private sector do not want to forgo, or even risk, the profits to be made from the facilitation of illegal logging in PNG;
- 3) Tax-haven jurisdictions do not want to cease providing anonymous companies and anonymous banking services to logging companies involved in illegal logging in PNG;
- 4) Foreign jurisdictions do not typically want to expend valuable law enforcement resources to address a crime that has been committed in some tiny, far-off nation – such as PNG;
- 5) The evidence required to prove beyond reasonable doubt that logs have been taken illegally is difficult to obtain and even more difficult to use;
- 6) Passing intelligence across agency boundaries or across borders in the hope that a foreign jurisdiction will target the proceeds of a crime committed in PNG is often fruitless;
- 7) Most countries do not have the resources and expertise available to mount confiscation action, or criminal prosecutions, related to illegal logging in some foreign jurisdiction such as PNG.

It would be beyond naïve for me to think that the proceeds of illegal logging will be confiscated in the jurisdictions where they are stored and returned to the people of PNG. For this to occur we would firstly need some way of identifying the illicit assets, and then obtain and put before a foreign court evidence to link those assets to an offence committed in PNG.

High-level corruption and limited capacities, in terms of inadequate allocation of human and financial resources, have, for many years hindered such action and this situation is unlikely to change. The same goes for criminal prosecution of the offenders.

What we have learned is that financial investigations and the confiscation of proceeds are among the most expensive and least effective options to combat these types of crimes.

Clearly, without a vast budget, and an ability to pry open the anonymous company structures in foreign jurisdictions, behind which some perpetrators hide their assets and prevent them being linked to a crime, confiscation is never going to be an option.

Similarly, prosecution of the perpetrators of these offences is nigh-on impossible – being, as they are located in foreign jurisdictions and protected by company structures that prevent them being linked to a crime.

In convulsion, through the capacity building programs offered under the LEAP, FASU has therefore been developing alternate solutions to these issues, using intelligence-led disruption processes to target the facilitators of these crimes. We are developing the intelligence to identify and target local facilitators using the powers that we have available. This has started to show potential and it is a process that we intend to expand in the coming years.

Those of you who are interested in the details please get in touch.

Thank you very much.