



សហគម្មនាគារនៅកម្ពុជា  
THE ASSOCIATION OF BANKS IN CAMBODIA

# Consolidated Review of AML and CFT in Cambodia

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APG, FATF and Cambodia's "National Strategy  
for Combating Money Laundering and Financing  
of Terrorism 2019-2023"

ABC Research

3/19/2019

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## Foreword

The Basel AML Index ranks countries according to their risk of money laundering and terrorist financing. The report is the only one of its kind, which is issued by a not-for-profit organization. In the report of 2018, Cambodia is listed the 7<sup>th</sup> highest ranking country out of 129 countries. In other words, only countries like Afghanistan, Mozambique or Tajikistan are stated to face higher risk of ML and TF. Regional, only Laos and Myanmar are ranked higher than Cambodia, coming in on the 4<sup>th</sup> and 6<sup>th</sup> rank respectively. As the Basel AML Index are likely to give a good relative representation in terms of how a country compares to others, The Asia Pacific Group on Money Laundering (APG) issues reports on individual countries and provides a much clearer, more detailed picture on the internal distortions, which might lead to bad rankings within the Basel Index.

As indicated by The Asia Pacific Group on Money Laundering (APG), Cambodia generally lacks various measures in regard to AML and CTF. Although it has been argued that Cambodia's legislation is to be seen as appropriate throughout various aspects, the enforcement of the law is largely been criticized. Given the severity of ML in the international perception, Cambodia's insufficient effort in AML, given its accessed level of ML risk, is to be seen as a threat to various parts of the economy. If Cambodia does not increase its effort in AML, suffering international cooperation, decreases in FDI, bad credit ratings and an overall unsustainable and unhealthy impact to the economy will likely be the result.

Given the lack of compliance by Cambodia with the FATF recommendation after the APG report in 2017, Cambodia was once again put on the FATF Grey list February 2019, which makes Cambodia subject to continuous scrutiny.

Shortly after the FATF declaration of unsatisfying progression of Cambodia towards its recommendation since 2017, the Royal Cambodian Government, specifically the National Bank of Cambodia (NBC) and the Cambodian Financial Intelligence Unit (CAFIU) launched the "National Strategy for Combating Money Laundering and Financing of Terrorism 2019-2023" on the 14<sup>th</sup> of March 2019.

This report emphasizes to provide the reader an overview of 'what has happened' in Cambodia in terms of AML and CFT in the last decade. After providing a timeline in table 1, the report will continue to present the APG report (table 2) and its recommendations (table 3) and will then move towards Cambodia's National Strategy and its key actions for the coming years (table 5&6). The report will end with some short concluding remarks.

**Table 1: Timeline of AML and CFT in Cambodia**

<b>Year</b>	<b><u>Royal Government of Cambodia</u></b>	<b><u>The Association of Banks in Cambodia</u></b>	<b><u>Others</u></b>
<b>2007</b>	<ul style="list-style-type: none"> <li>• AML/CFT Law was promulgated in June</li> <li>• Law on Counter Terrorism was Promulgated in July</li> <li>• Criminal Procedure Code was promulgated in August</li> <li>• Civil Code was promulgated in November</li> </ul>		<ul style="list-style-type: none"> <li>• APG Mutual Evaluation of Cambodia</li> </ul>
<b>2008</b>	<ul style="list-style-type: none"> <li>• CAFIU was established in January</li> <li>• Prakas on AML/CFT for Financial Institutions by NBC</li> </ul>		
<b>2009</b>	<ul style="list-style-type: none"> <li>• Criminal Code (Penal Code) was promulgated in November</li> </ul>		
<b>2010</b>	<ul style="list-style-type: none"> <li>• Anti-Corruption Law was promulgated in April</li> <li>• Prakas on AML/CFT for All Reporting Entities Not Regulate by NBC</li> </ul>		
<b>2011</b>	<ul style="list-style-type: none"> <li>• Anti-Corruption Law was amended in August</li> </ul>		<ul style="list-style-type: none"> <li>• Inclusion to the FATF's International Cooperation Review (ICRG) process in February</li> <li>• Cambodia entered APG's enhanced follow-up process as 14 of the 16 Core/Key Recommendation remained at non-compliant or partially compliant level</li> </ul>
<b>2012</b>	<ul style="list-style-type: none"> <li>• The National Coordination Committee (NCC) on AML/CFT was established in April</li> </ul>		
<b>2013</b>	<ul style="list-style-type: none"> <li>• The NCC adopted the "Cambodia's National AML/CFT Strategies 2013-2017" in March</li> <li>• The law on Amendment of Article 3, Article 29 &amp; Article 30 of the Law on AML/CFT (The AML/CFT Amendment Law) in June</li> <li>• A workshop on the AML/CFT Amendment Law was held in October</li> </ul>		
<b>2014</b>	<ul style="list-style-type: none"> <li>• Sub-decree on the Freezing of Property of Designated Terrorists and Organizations was promulgated in March</li> <li>• Standing Court Order to apply Sub-decree on Al Qaida, Taliban, ISIL (Da'esh) UN lists</li> </ul>		<ul style="list-style-type: none"> <li>• Cambodia exited APG's enhanced follow-up process and was placed on regular follow-up</li> </ul>

<u>Year</u>	<u>Royal Government of Cambodia</u>	<u>The Association of Banks in Cambodia</u>	<u>Others</u>
	<ul style="list-style-type: none"> <li>• Organisation and Functioning of the Courts, Statute of Judges and Prosecutors and the Supreme Council of Magistracy Laws were promulgated in July</li> <li>• A workshop on the AML/CFT Law was held in July</li> </ul>		
<b>2015</b>	<ul style="list-style-type: none"> <li>• A workshop on the AML/CFT Law was held in January</li> <li>• The SECC and the Financial Industry Department of the MoEF included AML/CFT component in their prudential on-site supervision for securities</li> </ul>	<ul style="list-style-type: none"> <li>• ABC Code of Banking Practice was adopted in February</li> </ul>	<ul style="list-style-type: none"> <li>• Removal from the FATF’s International Cooperation Review (ICRG) process in February</li> </ul>
<b>2016</b>	<ul style="list-style-type: none"> <li>• SECC and the Financial Industry Department of the MoEF included AML/CFT component in their prudential on-site supervision for insurance</li> <li>• National Risk Assessment (NRA) created "Cambodia National Money Laundering and Terrorism Financing Risk Assessment Report", which was adopted 29th November 2016</li> </ul>		<ul style="list-style-type: none"> <li>• FATF on-site visit in Cambodia in December</li> </ul>
<b>2017</b>	<ul style="list-style-type: none"> <li>• Between 2013 and 2017, CAFIU delivered 36 awareness workshops to mostly FIs</li> </ul>		<ul style="list-style-type: none"> <li>• <b>APG Report on “Anti-money laundering and counter-terrorist financing measures” Cambodia – Mutual Evaluation Report published in September</b></li> </ul>
<b>2018</b>	<ul style="list-style-type: none"> <li>• NBC Request to ABC and CMA to Co-Establish a Compliance Officer Network Group (CONG) on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) in January</li> </ul>	<ul style="list-style-type: none"> <li>• ABC Compliance Committee was established in February</li> <li>• ABC conducts AML Questionnaire with FIs in March</li> <li>• Joined ABC and ABA Seminar on AML in April</li> <li>• IBF starts to conduct Compliance courses with FIs in April</li> <li>• Meeting between CAFIU and ABC in May</li> <li>• ABC Proposes and Plans AML Seminar in September (CAFIU/NBC objects)</li> </ul>	<ul style="list-style-type: none"> <li>• BTI 2018 Country Report on Cambodia by the Bertelsmann Stiftung (German), which is based on assessment between February 2015 and January 2017</li> <li>• IMF Country Report on Cambodia was published in December (2018 Article IV Consultation—Press Release; Staff Report; Staff Statement; and Statement by the Executive Director for Cambodia)</li> <li>• S&amp;P Global report “Banking Industry Country Risk Assessment: Cambodia” was published in December</li> </ul>

<u>Year</u>	<u>Royal Government of Cambodia</u>	<u>The Association of Banks in Cambodia</u>	<u>Others</u>
		<ul style="list-style-type: none"> <li>• ABC Regulation Checklist is provided to Banks in November</li> <li>• ABC Guideline on submitting Suspicious Transaction Reports (STRs) provided in December</li> </ul>	
<b>2019-Present</b>	<ul style="list-style-type: none"> <li>• <b>Launch of the “National Strategy for Combating Money Laundering and Financing of Terrorism 2019-2023” in March</b></li> </ul>	<ul style="list-style-type: none"> <li>• ABC Checklist for Oversea Remittance provided in January</li> <li>• Amendment of the ABC Code of Banking Practices in January</li> </ul>	<ul style="list-style-type: none"> <li>• Cambodia’s Inclusion to the FATF’s International Cooperation Review (ICRG) process ("Grey list") in February</li> </ul>
<b>Future</b>		<ul style="list-style-type: none"> <li>• IBF will provide mandatory Compliance Certification courses to FIs from May onwards</li> </ul>	

## 1. APG Report

**Table 2: APG Ratings on Effectiveness**

	<u>APG Ratings on Effectiveness</u>	<u>High</u>	<u>Substantial</u>	<u>Moderate</u>	<u>Low</u>
1	Understanding ML and TF risks and coordination of domestic actions to combat ML and TF			✓	
2	International co-operation delivers appropriate information, financial intelligence, and evidence, and facilitates action against criminals and their assets			✓	
3	Appropriate supervision, monitoring and regulation of FIs and DNFBPs				✓
4	FIs and DNFBPs adequately apply AML/CFT preventive measures and report suspicious transactions				✓
5	Legal persons and arrangements are prevented from misuse for ML or TF, and information on their beneficial ownership is available to competent authorities				✓
6	Financial intelligence and all other relevant information are appropriately used by competent authorities for ML and TF investigations				✓
7	ML offences and activities are investigated, prosecuted and appropriately sanctioned				✓
8	Proceeds and instrumentalities of crime are confiscated				✓
9	TF offences and activities are investigated, prosecuted and appropriately sanctioned		✓		

<b>APG Ratings on Effectiveness</b>		<b>High</b>	<b>Substantial</b>	<b>Moderate</b>	<b>Low</b>
10	Terrorists, terrorist organizations and terrorist financiers are prevented from raising, moving and using funds, and from abusing the non-profit sector		✓		
11	Persons and entities involved in the proliferation of weapons of mass destruction are prevented from raising, moving and using funds, consistent with the relevant United Nations Security Council Resolutions				✓

**Table 3: APG Ratings on Technical Compliance with FATF**

	<b>Technical Compliance with FATF 40 Recommendations</b>	<b>Issues and Conclusion</b>
1	Assessing risks & applying a risk-based approach → <b>Partially compliant</b>	-NRA showcases some gaps in developing and identifying threats/vulnerabilities/risks. -Results of NRA not widely distributed. -Allocation of resources not risk-based; high risk sectors not covered.
2	National cooperation and coordination → <b>Partially compliant</b>	-No national AML/CFT policy informed by ML/TF risks. -Gaps at the operational level and in relation to proliferation financing.
7	Targeted financial sanctions related to proliferation → <b>Non-compliant</b>	-No targeted financial sanctions related to proliferation in order to comply with UNSCRs.
8	Non-profit organisations → <b>Partially compliant</b>	-Shortcomings in the regulation and supervision of NPOs. -No review on NPO sector yet. -No understanding of TF risks in NPO sector. -No guidelines or practices for TF risks in NPOs.
12	Politically exposed persons → <b>Partially compliant</b>	-Definition of PEPs does not extend to domestic PEPs. -REs not explicitly include PEPs in risk management. -No requirement to determine whether beneficiary is a PEP.
13	Correspondent banking → <b>Partially compliant</b>	-No requirement to assess respondent banks in terms of nature of business, quality of supervision, AML/CFT responsibilities, CDD obligations, shell banks.
18	Internal controls and foreign branches and subsidiaries → <b>Partially compliant</b>	-No obligation for financial groups for group-wide programs and information sharing mechanism. -No requirement for foreign branches or majority-owned subsidiaries to comply with AML/CFT measures.
19	Higher-risk countries → <b>Partially compliant</b>	-No legal basis to apply countermeasures on countries. -Unclear how FIs are advised in AML/CFT systems of other countries.
22	DNFBPs: Customer due diligence → <b>Partially compliant</b>	-Gaps in CDD requirements. -CDD threshold for FT in casinos at \$10.000 opposed to \$3.000 in FATF.
24	Transparency and beneficial ownership of legal persons → <b>Partially compliant</b>	-Shortcomings due to limited availability of beneficial ownership information, no prohibition of bearer shares/bearer share warrants/nominee shares/nominee directors. -Limited mechanisms for cooperation between Cambodian and foreign authorities and REs related to beneficial ownership. -Fines and penalties are insufficient to be dissuasive.
25	Transparency and beneficial ownership of legal arrangements → <b>Partially compliant</b>	-The concept of trusts or similar legal arrangements does not exist. -No requirement of trustees of foreign trusts. -No provision for legal liability and sanctions for trustees
26	Regulation and supervision of financial institutions → <b>Partially compliant</b>	-Verification process of banks and FIs under “fit and proper” not clear. -No risk-based approach to supervision of all FIs.

	<b><u>Technical Compliance with FATF 40 Recommendations</u></b>	<b><u>Issues and Conclusion</u></b>
28	Regulation and supervision of DNFBPs →Partially compliant	-Shortcomings in the power of supervisors regarding dissuasive and proportionate fines and sanctions. -DNFBPs are currently not supervised for AML/CFT compliance.
33	Statistics →Partially compliant	-Shortcoming in statistics on matters relevant to effectiveness and efficiency of its AML/CFT systems, in particular in relation to international cooperation property frozen and confiscated.
34	Guidance and feedback →Partially compliant	-While a recurring feedback mechanism is not formally established, CAFIU has conducted workshops for FIs and DNFBPs to provide guidance and feedback. -Limited guidance to FIs and DNFBPs in complying with AML/CFT obligations.
35	Sanctions →Partially compliant	-Fines are unlikely to be dissuasive and proportionate. -Sanctions are not applicable to directors and senior management of REs.
37	Mutual legal assistance →Partially compliant	-No domestic legal instruments that deal with MLA outside the ASEAN MLA framework, other than in relation to drug, corruption, terrorism related offences. -Cambodia requires dual criminality before MLA can be accessed. -No requirement of expedient conduct or prioritisation of MLA requests and no case management system to monitor requests.
38	Mutual legal assistance: freezing and confiscation →Partially compliant	-No legislative provision to freeze and confiscate assets under an MLA request by a country not part of the ASEAN MLA Treaty, or not related to drugs, corruption or TF. -No information provided yet that there are arrangement for co-ordinating seizure and confiscation actions with countries outside ASEAN.
40	Other forms of international cooperation →Partially compliant	-Patchy coverage of relating to various jurisdictions possibly exposing Cambodia to ML/TF risk. -No provision to support joint investigations across borders or information exchange with non-counterparts. -No system of prioritisation of requests or safeguarding of information involved. -Not clear, if authorities can conduct inquiries on behalf of foreign counterparts and exchange all information available to them domestically.

\*Only areas of Technical Compliance are depicted, which receive an APG rating of partially compliant or non-compliant.

**Table 4: APG’s Priority Actions for Cambodia**

<b><u>Priority Actions for Cambodia as given by the APG Report</u></b>	
1.	Update the National AML/CFT Strategies to reflect Cambodia’s current understanding of ML/TF risks and implement a comprehensive, risk based approach to allocating resources and implementing measures to prevent or mitigate ML/TF on the basis of assessed risks, and improve coordination at strategic and operational levels.
2.	Improve the capacity of CAFIU to produce significantly more high quality intelligence products for LEAs, including prompt dissemination of analyzed STRs and strategic analysis.
3.	Establish a consolidated AML strategy across LEAs which covers parallel investigations and use of financial intelligence in ML and predicate offence investigations. Clarify that all relevant agencies can conduct ML investigations, and specify the circumstances in which they should do so. Provide further training and direction to LEAs to increase investigation and prosecution of ML, particularly (but not only) in relation to more serious proceeds-generating offences. Increase penalties for ML, in particular for legal persons to encourage the use of these sanctions.
4.	Adopt clear policies and strategies to pursue confiscation, including repatriation, sharing and restitution of criminal proceeds, instrumentalities, and property of equivalent value, in particular for areas identified to be high risk, such as cross-border goods and cash smuggling.

<b>Priority Actions for Cambodia as given by the APG Report</b>	
5.	Engage in substantially more risk-based AML/CFT supervisory activity, including commencing supervision of higher-risk DNFBPs as a matter of priority, conducting further outreach to smaller FIs and DNFBPs and monitoring and enforcing compliance by REs with requirements to identify the beneficial ownership.
6.	Increase engagement and information sharing with FIs and DNFBPs to promote a better understanding of their AML/CFT obligations and ML/TF risks and trends facing Cambodia.
7.	Implement TFS against proliferation, through the introduction of legal instruments and a framework for monitoring compliance.
8.	Update the relevant legislative instruments to reflect revisions in the CDD requirements of the FATF standards, in particular: <ul style="list-style-type: none"> <li>a) <i>broaden the definition of PEPs to include domestic PEPs;</i></li> <li>b) <i>lower the CDD threshold for casinos to USD 3,000;</i></li> <li>c) <i>require REs to determine whether the beneficial owner is a PEP;</i></li> <li>d) <i>allow REs to not pursue CDD if there is a risk of tipping-off the customer.</i></li> </ul>
9.	Strengthen future assessments of ML/TF risks to address gaps in coverage, such as legal persons and arrangements, and through the use of better data and information.

### 3. National Strategy for Combating Money Laundering and Financing of Terrorism 2019-2023

**Table 5: Key Actions of National Strategy sorted by Strategic Objective**

<b><u>Strategic Objectives</u></b>	<b><u>(Selected) Key Actions</u></b>	<b><u>Timeframe</u></b>	<b><u>Government Agencies</u></b>
1. Understanding and Managing Risk	Sharing of NRA finding to stakeholders in government agencies and sanitized NRA finding with the public	Immediate	NCC and CAFIU
	Develop on-site examination procedures for the on-site supervision of banks	January-March 2019	CAFIU and NBC
	Implement risk-based schedule for onsite inspections of banks	January-December 2019	CAFIU and NBC
	Conduct risk assessment of NPO sector, Real Estate sector, Casino sector, legal persons and legal arrangements	January-December 2019	MoEF, NBC, CAFIU and MoC
	Conduct risk assessment of trade-based money laundering and cash smuggling	June-December 2021	GDCE, MoC, GDT, NBC
	Conduct risk assessment of dealers in precious metals and stones	January-June 2022	MoC, NBC, GDCE, GDT
2. Licensing and Supervising Financial Institutions and DNFBPs and Implementation of Preventive Measures	Establish and implement an off-site monitoring system to the banking sector	Immediate	CAFIU
	Amend AML/CFT Law to capture all requirements for reporting transactions and CDD	January-December 2019	MEWG Legal Sub-working Group
	Develop plan for undertaking risk-based AML/CFT supervision of all sectors	January-December 2019	CAFIU

<b><u>Strategic Objectives</u></b>	<b><u>(Selected) Key Actions</u></b>	<b><u>Timeframe</u></b>	<b><u>Government Agencies</u></b>
	Implement plan for undertaking risk-based AML/CFT supervision of the casino and real estate sector	January-December 2019	MoEF, CAFIU
	Establish a platform or mechanism for regular engagement with reporting entities	June-December 2019	CAFIU
	Implement market entry controls, including applying fit and proper controls to money changers, casinos and real estates	January 2019 – March 2020	NBC, MoEF and MoC
	Develop sanctioning program to address persisting non-compliance by reporting entities	January-December 2020	CAFIU
	Issue regulations or Prakas as needed to provide further guidance on CDD requirements to reporting entities or on a sectoral basis	January-December 2020	MEWG Legal Sub-working Group
	Issue supervisory guidance and feedback on compliance with and implementation of AML/CFT measures	January-December 2020	CAFIU
	3. Enhancing entity transparency	Provide training to MoC and others involved in gathering or holding beneficial ownership information on AML/CFT	January 2020 – December 2021
AML/CFT supervisors should assess the quality of beneficial ownership information collected by reporting entities through the customer due diligence process		January 2020 – December 2021	CAFIU
Conduct a gap analysis on the availability of adequate, accurate and current beneficial ownership information		January-December 2021	MoC and CAFIU
Develop a coherent policy on the beneficial ownership that ensures capture of ownership information for all legal entities and arrangement, including under AML, laws governing corporate entities, and other means		January 2022 – December 2023	MoC and CAFIU
Review the use of bearer shares and consider whether they should be abolished or whether mechanisms to prevent their misuse should be introduced		January-December 2023	MoC, NCC and CAFIU
4. Collecting, Analysing and Disseminating Useful Financial Intelligence	Training to CAFIU staff on financial analysis and collaboration with stakeholders	Immediate	CAFIU
	Establish Standard Operating Procedures (SOPs) that provide	Immediate	CAFIU

<u>Strategic Objectives</u>	<u>(Selected) Key Actions</u>	<u>Timeframe</u>	<u>Government Agencies</u>
	guidance to financial analysts to provide report that meet needs of LEAs		
	Develop SOP for responding to and initiating international requests through Egmont	Immediate	CAFIU
	Increase intelligence packages disseminated by CAFIU relating to high risk predicate crimes by 15% annually over the duration of this strategy	Immediate	CAFIU
	Improvements in CAFIU's IT infrastructure	January-March 2019	CAFIU
	Implement effective processes for feedback from LEAs on FIU intelligence reports and, implement standard procedures for LEA requests to CAFIU	January-March 2019	CAFIU
	Gradually increase CAFIU's Transaction Report Analysis Division to 30 staff dedicated to perform FIU's core functions effectively	January 2019 - December 2023	CAFIU
	Enhance the capacity of CAFIU analysts to produce strategic analysis products	January-December 2020	CAFIU
	CAFIU should sign MOUs to obtain direct access to government external data bases and should acquire additional tools to analyse the data	January 2020 - July 2021	CAFIU
	CAFIU need to finalize MOU on exchange of financial intelligence with key foreign FIUs	January 2020 – December 2022	CAFIU
	Increase awareness of ML/FT trends and typologies by publishing reports for stakeholders	January-December 2021	CAFIU
	Build LEA working team to improve operations with CAFIU (GCNP, MoJ, ACU, GDCE, GDT, NCTC)	January-December 2023	CAFIU
5. Effective Investigation of Money Laundering and Predicate Offences	Develop and implement SOPs and policy manuals for conducting MF/TF investigations for all agencies	October 2018 – January 2020	MEWG Legal Sub-working Group
	Increase resources to collaborate with CAFIU and to conduct cash smuggling investigations	November 2018- January 2020	All LEAs
	Increase capacity within GDCE and establish specialized group for detection and investigation of cross border currency smuggling out of GDCE, GDT, CAFIU, GCNP	January-December 2019	GDCE

<u>Strategic Objectives</u>	<u>(Selected) Key Actions</u>	<u>Timeframe</u>	<u>Government Agencies</u>
	Establish effective structures for GDCE programs to develop skills around ML/TF investigations	January-December 2019	GDCE
	Increase budget for AML/CFT investigations	January 2019 – January 2020	MEWG Legal Sub-working Group
	Establish inter LEA agency working groups and develop effective communication channels between LEAs	January 2019 – January 2020	MEWG Legal Sub-working Group
	Improve access to government records for LEAs and increase capacity in those LEAs to conduct investigations	January 2019 – January 2021	MEWG Legal Sub-working Group
	Consider the creation of a confiscated assets fund to support financial crime investigations, prosecutions and confiscation	January-December 2021	NCC
	Conduct a national needs analysis and strategic plan in line with the national risk assessment to identify the needed organizational structures, policies and procedures resources, training for investigators, budgets and other requirements	January-December 2021	LEAs and CAFIU
	6. Effective Prosecution of Money Laundering and Predicate Offences	Provide additional funding to support prosecution of ML and high-risk predicate offences	January-December 2019
Develop training program to provide to officers allocated to ML cases		January-December 2019	MoJ and MoEF
Provide training to all prosecutors on the legal framework and procedures for handling money laundering cases and related predicate crimes		January-December 2019	MoJ and MoEF
Create specialized AML prosecution team within MoJ dedicated to ML prosecutions		January-December 2019	MoJ
7. Effective Confiscation of the Proceeds of Money Laundering and Predicate Offences	Provide training, resources and expertise to prosecutors and officers assigned to ML cases	January-December 2019	MoJ
	Create specialist units within MoJ and GCNP for confiscation work, investigations and prosecutions	January-December 2019	MoJ
	Develop policies, strategies and SOPs for the confiscation of process and instrumentalities of crime	January-December 2019	MoJ
8. Undertaking Effective International Cooperation	Pass MLA law	July 2019	MoJ
	Establish SOP for prioritization and execution of international cooperation requests	February-December 2019	MoJ

<u>Strategic Objectives</u>	<u>(Selected) Key Actions</u>	<u>Timeframe</u>	<u>Government Agencies</u>
	Develop a case management system for the effective processing of incoming and outgoing international cooperation requests	2018 – December 2019	MoJ
	Increase the staffing and resources of the MLA central authority	December 2019 (4-6 Staff) December 2020 – 2023 (4-6 Staff)	MoJ
9. Detection and Suppression of Terrorist Financing and Proliferation Financing	Issue binding statutory instruments to implement UNSCR in relation to proliferation of WMD	January – December 2019	MoI
	Assess risks of the Cambodian economy being used directly/or indirectly to evade UN sanction in relation to proliferation of WMD	January – December 2020	MFA-IC, MoC and CAFIU
	Conduct awareness training sessions with the private sector on PF Risks and upcoming asset freezing obligations	January – December 2022	MFA-IC, MoC and CAFIU
	Issue guidelines on PF to the private sector	January – December 2022	MoI and CAFIU
10. Management of the National AML/CFT Program	Establish an administrative unit to monitor progress of the 2019-2023 NS implementation	Immediate	NCC
	Create a budget for the operations of the administrative group	January – December 2019	MoEF and NBC
	Set out the procedure for addressing failures in implementation	January – December 2019	NCC
	Set up regular reporting lines to the NCC	January – December 2019	MEWG
	Create a calendar of meetings for the MEWG to discuss NS implementation	January – December 2019	NCC and MEWG
	Prepare report on funding for implementation of the NS and submit to NCC	January – December 2019	MEWG
	Implement new funding arrangements	January – December 2019	NCC

**Table 6: Key Actions of National Strategy sorted by the Responsible Agency and Timeframe**

<b><u>Timeframe</u></b>	<b><u>CAFIU &amp; NBC</u></b>	<b><u>MEWG Legal Sub-working Group &amp; NCC</u></b>	<b><u>MoJ</u></b>
<b>2019</b>	<ul style="list-style-type: none"> <li>• Training to CAFIU staff on financial analysis and collaboration with stakeholders</li> <li>• Develop on-site examination procedures for the on-site supervision of banks</li> <li>• Implement risk-based schedule for onsite inspections of banks</li> <li>• Conduct risk assessment of NPO sector, Real Estate sector, Casino sector, legal persons and legal arrangements</li> <li>• Improvements in CAFIU’s IT infrastructure</li> <li>• Establish and implement an off-site monitoring system to the banking sector</li> <li>• Establish a platform or mechanism for regular engagement with reporting entities</li> </ul>	<ul style="list-style-type: none"> <li>• Establish an administrative unit to monitor progress of the 2019-2023 NS implementation</li> <li>• Amend AML/CFT Law to capture all requirements for reporting transactions and CDD</li> <li>• Set out the procedure for addressing failures in implementation</li> <li>• Set up regular reporting lines to the NCC</li> <li>• Create a calendar of meetings for the MEWG to discuss NS implementation</li> <li>• Implement new funding arrangements</li> </ul>	<ul style="list-style-type: none"> <li>• Provide additional funding to support prosecution of ML and high-risk predicate offences</li> <li>• Develop training program to provide to officers allocated to ML cases</li> <li>• Provide training to all prosecutors on the legal framework and procedures for handling money laundering cases and related predicate crimes</li> <li>• Create specialized AML prosecution team within MoJ dedicated to ML prosecutions</li> <li>• Pass MLA law</li> </ul>
<b>2020</b>	<ul style="list-style-type: none"> <li>• Implement market entry controls, including applying fit and proper controls to money changers, casinos and real estates</li> <li>• Issue supervisory guidance and feedback on compliance with and implementation of AML/CFT measures</li> <li>• Develop sanctioning program to address persisting non-compliance by reporting entities</li> <li>• Enhance the capacity of CAFIU analysts to produce strategic analysis products</li> </ul>	<ul style="list-style-type: none"> <li>• Issue regulations or Prakas as needed to provide further guidance on CDD requirements to reporting entities or on a sectoral basis</li> <li>• Establish inter LEA agency working groups and develop effective communication channels between LEAs</li> </ul>	
<b>2021</b>	<ul style="list-style-type: none"> <li>• AML/CFT supervisors should assess the quality of beneficial ownership information collected by reporting entities through the customer due diligence process</li> <li>• Conduct a gap analysis on the availability of adequate, accurate and current beneficial ownership information</li> <li>• CAFIU need to finalize MOU on exchange of financial intelligence with key foreign FIUs</li> </ul>	<ul style="list-style-type: none"> <li>• Improve access to government records for LEAs and increase capacity in those LEAs to conduct investigations</li> </ul>	

2022	<ul style="list-style-type: none"> <li>• Conduct risk assessment of dealers in precious metals and stones</li> </ul>		
2023	<ul style="list-style-type: none"> <li>• Develop a coherent policy on the beneficial ownership that ensures capture of ownership information for all legal entities and arrangement, including under AML, laws governing corporate entities, and other means</li> <li>• Gradually increase CAFIU’s Transaction Report Analysis Division to 30 staff dedicated to perform FIU’s core functions effectively</li> <li>• Build LEA working team to improve operations with CAFIU (GCNP, MoJ, ACU, GDCE, GDT, NCTC)</li> </ul>		<ul style="list-style-type: none"> <li>• Increase the staffing and resources of the MLA central authority</li> </ul>

#### 4. Concluding Remarks

Although the Cambodian government followed APG’s basic requirements after APG’s initial Mutual Evaluation in 2007, various shortcomings of the AML/CFT regime were left unchanged. Between 2007 and 2014, Cambodia made extreme progress in improving its legal framework by promulgating various laws to counter ML and FT and by creating CAFIU as primary agency to fight financial crime in 2008. Given those efforts, Cambodia was awarded with being removed from the FATF’s International Cooperation Review (ICRG) process in February 2015.

Nonetheless, as Cambodia’s efforts in its legal reforms and with the creation of CAFIU were not accompanied with strong measures of enforcement, various reports were issued after 2017, which did not promulgate Cambodia to be an efficient implementer of the 40 FATF Recommendations. Those reports, issued by APG, IMF and S&P, were followed in early 2019 by the inclusion of Cambodia back on the FATF Grey list and the FATF’s International Cooperation Review (ICRG) process.

As answer to the grey listing of Cambodia, the Royal Cambodian Government, specifically the National Bank of Cambodia (NBC) and the Cambodian Financial Intelligence Unit (CAFIU) launched the “National Strategy for Combating Money Laundering and Financing of Terrorism 2019-2023” in March 2019. The national strategy 2019-2023 lays out how the Government and its agencies will tackle those shortcomings over the coming five years.