

Available online at www.sciencedirect.com**ScienceDirect**

Procedia Economics and Finance 28 (2015) 14 – 23

Procedia
Economics and Finance

www.elsevier.com/locate/procedia

7th INTERNATIONAL CONFERENCE ON FINANCIAL CRIMINOLOGY 2015
13-14 April 2015, Wadham College, Oxford, United Kingdom

An International Analysis of FATF Recommendations and Compliance by DNFBPs

Normah Omar*, Zulaikha ‘Amirah Johari

Accounting Research Institute, Universiti Teknologi MARA, Selangor, Malaysia

Abstract

Professionals such as lawyers, accountants, company secretaries and real estate agents who are under the category of Designated Nonfinancial Business and Professions (DNFBPs) are expected to comply with the requirements of FATF 40+9 Recommendation. FATF recommends that DNFBPs need to comply with five major recommendations (i.e. Recommendations 12, 16, 17, 20, 24 and 25) to combat the prevalence of money laundering and terrorism financing. This includes the need to 1) conduct due diligent on their clients 2) maintain proper records and documentation of related transactions for at least six years; and 3) submit a suspicious transaction report to the Competent Authority, who is in charge of Anti-Money Laundering regime of a country. This study analyses the latest Mutual Evaluation reports of countries within the Asia Pacific Group (APG) to assess the level of compliance of the countries in pursuant to the compliance of DNFBPs and also analyze the characteristics of the compliance rating of the DNFBPs. In general, the findings show low level of compliance for these standards, implicating either lack of awareness or poor enforcement by the regulators.

© 2015 The Authors. Published by Elsevier B.V. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

Peer-review under responsibility of ACCOUNTING RESEARCH INSTITUTE, UNIVERSITI TEKNOLOGI MARA

Keywords: FATF Recommendations; DNFBPs Compliance; Money laundering; financial crime;

1. Introduction

Money laundering is one of the biggest problems, which is difficult to curb. Profits generated by this activities cause a threat not only to public safety due to the economic power accumulated by number of criminal organisations but also the financial systems themselves and to economic development. Global money laundering

* Corresponding author. Tel.: +603-5544 4924; fax: +603-5544 4992.
E-mail address: normah645@salam.uitm.edu.my

imposes significant costs on the world of economy by damaging the effective operations of national economies and by promoting poorer economic policies (Thony, 2002). As a result, financial markets slowly become corrupted and the public's confidence in the international financial system is eroded. Eventually, as financial markets become increasingly risky and less stable, the rate of growth of the world economy is reduced.

Money laundering is often referred as financial crime that often involves a complex series of transactions and numerous financial institutions across many foreign jurisdictions. Besides the global phenomenon and international challenge, it is also extremely difficult to investigate and prosecute offenders of money laundering due to the complex series of transactions (Buchanan, 2004). Money laundering involves 3 processes; which are placement, layering and integration. Placement is where the cash are retained into the financial system or retail economy or are smuggled out of the country. In layering, the track of the funds is being disguise by creating complex layers of financial transactions. Lastly, the money is integrated into the legitimate economic and financial system and is adjusted with all other assets in the system. (Buchanan, 2004).

Efforts to launder money and finance terrorism have been evolving rapidly in recent years. Many efforts had been done in reducing the prevalence of these activities. But first, one need to understand that the money launderers apply these 3 steps by using a legitimate institution as a proxy to cover the movement of illegal proceeds and thus financing the terrorist activities (Kersten, 2003). Due to this, FATF had lay out some preventive measures to combat money laundering and financial terrorism especially focusing on the preventive measures for Designated Non-financial Business and Professions (DNFBPs). After all, prevention is better than cure. Traditionally, the financial sector is often seen as the gatekeepers of the Anti-money Laundering/Counter Terrorism Financing regime. Increasingly, governments and law enforcement agencies have recognised the importance of designated non-financial businesses and professions in the fight against money laundering and terrorism financing activities as they are the professions which encounter this kind of activities (Choo, 2014). Thus, it is crucial to understand the recommendations suggested to this group and also to see the level of compliance of the DNFBPs in the countries.

As in Internal Revenue Service in its website (Internal Revenue Service (IRS), 2013), shows some of examples of money laundering investigations written from public record documents in which the cases were prosecuted. One of the cases is about money laundering committed by lawyer (one of profession in DNFBPs). In April 2, 2014, Derian Eidson, of Yorba Linda, a lawyer, was sentenced to 121 months in prison and ordered to pay a \$200,000 fine in Sacramento, Calif. Eidson, a suspended member of the California bar, was convicted at trial on two counts of money laundering. According to court documents, Eidson was an insurance defense lawyer in 2001 when she met Steven Zinnel, a Sacramento businessman. The two concealed Zinnel's assets during his child support litigation and personal bankruptcy cases. In the course of the scheme, Eidson used her attorney client trust account to conceal funds. In addition, Zinnel and Eidson established a shell company, Done Deal, for the purpose of receiving distributions from Zinnel's silent partnership in an electrical infrastructure company. Keeping Done Deal and the Done Deal bank account in Eidson's name allowed Zinnel to conceal his ownership interest in the company from the bankruptcy court and family court. Zinnel was sentenced on March 4, 2014, to 212 months in prison for his role in the scheme. From these cases, although the lawyers had been entrusted to ensure legality of activities, they had misused their powers and gain benefit for themselves through illegal activities.

These case shows that it is crucial for the people to study on this group as the society could either manipulate the professionals' position or the professional itself could misused their professions which is seen as professional and ethical to commit money laundering and terrorism financing. Findings of this study shows that most of the countries are still lacking in terms of identifying the ill-intent consumer, making a report in terms of suspicious transaction and also monitoring and supervising although in terms of moderning the transaction techniques they are quite updated. But still, there is a gap for the launderers to commit the illegal activities if it is not been captured wisely. The paper proceeds as follows: Section 2 reviews relevant prior researches. Section 3 describes the research method. Section 4 is on findings and discussion. Section 5 presents the concluding remarks and future research and limitations.

2. Literature Review

Money laundering activities brings harm to the world regardless which country involved in. It has been estimated that some 500 billion money is laundered through financial markets each year. Such huge amount of money could not be laundered without the involvement from third party such as accountants or other professions who use their expertise to create complex transactions to conceal the legal activity (Mitchell, Sikka, & Willmott, 1998). The lack of compliance with global AML/CFT standards in these countries' regulatory, financial, and legal systems that money laundering with or without any relationship to the financing of terrorism, would be relatively easy to achieve (Johnson, 2008). Some countries realized these risks and, therefore, adopted measures in an attempt to prevent the misuse of non-financial businesses and professions in money laundering and terrorism financing (MENAFATF, 2008). The group that have been listed under DNFBPs are casinos, real estate agents, dealers in precious metals, dealers in precious stones, lawyers, notaries, other independent legal professionals and accountants, trusts and company service providers.

The risk related to lawyers and accountants lie basically in the potential misuse of these professions in concealing the identities of the beneficiary owners of the transactions done through them. For example, establishment of companies or other complex legal arrangements (like trusts), as such services may conceal the link between the proceeds of the crimes and the criminals, execution of financial operations on behalf of customers, like cash deposit or withdrawal, foreign currency exchange operations, sale and purchase of shares, sending and receiving international money transfers and filing of fictitious lawsuits to obtain a judgment to legitimize the funds (MENAFATF, 2008).

Meanwhile, offenders of money laundering and terrorism financing participate in real estate sectors and engage in a series of transactions designed to conceal the illicit source of funds; these transactions falls under the layering phase, where the offenders invest as tourists in order to acquire a legitimate appearance (integration phase) as well as buying and selling of real estate properties in fictitious names. An example of modus operandi for this group is where the money launderer announced price of purchase lesser than the real value of the property and then the sale is made at the real price, as the money launderer searches for a real estate seller who would cooperate with him, agree to declare the sale of the real estate property at a specific price (less than the real value of the real estate property) and accept to take the difference "under the table". The money launderer buys for instance a real estate property worth USD 2 million at USD 1 million and pays secretly to the seller another million; then, he would sell the property at its real value of USD 2 million and it would appear that the seller achieved a profit of USD 1 million. This fund would falsely appear to be legitimate (MENAFATF, 2008).

On the other hand, money launderers tend to involve in transactions involving precious stones and metals since precious metals, particularly gold, has a high actual value and can be found in relatively small sizes, thus facilitating its transport, purchase and sale in several regions around the world. Gold also preserves its value regardless of its form whether it comes in the form of bullions or golden articles. Dealers are often interested in gold more than gems as it may be melted to change its form while preserving its value. Diamonds can also be traded around the world easily as the small size of diamond stones and their high value facilitate their concealment and transport and make it one of the most gems and jewels with the risk of being misused as a money laundering means. In some cases, it was noted that diamonds are used as a means to finance terrorist acts and groups. Gold is used in money laundering operations whether it is acquired in an illicit manner (like theft or smuggling) where it constitutes proceeds of a crime and is therefore deemed to be an illicit fund, or is used as a money laundering means through the purchase of gold against illicit funds (MENAFATF, 2008).

Gambling in casino takes place in cash, which encompasses high risks that gamblers may use them in ML since they give money launderers a ready justification for obtaining a fortune with no legitimate source. Casinos are misused in ML operations in the first phase of ML (placement) where the intended-laundered-funds are transformed from cash money into cheques by the money launderer purchasing chips. The money launderer will later request repayment through a cheque drawn on the account of the casino.

It is worth to study this group as it is found that apart from the main financial sectors, designated non-financial sectors and high-risk customers involved businesses are also vulnerable for money laundering, such as non-financial designated business and professions, and politically exposed persons (Ai, 2012). In recommendation of FATF, countries should require DNFBPs to identify, assess and take effective action to mitigate their money laundering and terrorist financing risks (FATF Financial Action Task Force, 2012). Presently, there are four main recommendations under preventive measures on DNFBPs.

2.1. Recommendation 12

The customer due diligence and record keeping requirements set out in Recommendations 5, 6, and 8 to 11 apply to DNFBPs in the following situations when customers engage in financial transactions equal to or above the applicable designated threshold and when they engage in any cash transaction with a customer equal to or above the applicable designated threshold. It is also apply to situation where when they prepare for or carry out transactions for their client concerning the buying and selling real estate, managing client money and other assets (FATF Financial Action Task Force, 2012). Customer Due Diligence (CDD) is very crucial to prevent money laundering and terrorism financing. A transaction across border without supervision has opened the opportunity for criminals to commit crime. The institution that failed to monitor and supervise their customer who uses their services may lead them into trouble. CDD mainly focuses on practical issues such as exchanges in supervisory information, cross border inspections to improve the supervisory coordination and enable country to exercise consolidated supervision. This is to prevent information on customer accounts from being misused by cross border entities (Freeland, 2003). There still remain loopholes maintaining secrecy laws that hinder international cooperation and some private actors have failed to implement preventive measures such as Customer Due Diligence (CDD). All of the above failures and weaknesses hamper the effectiveness of the AML/CFT regime against money launderers and terrorists (Verdugo, 2008).

2.2. Recommendation 12

Recommendation 16 is about suspicious transaction reporting. Lawyers, notaries, other independent legal professionals and accountants should be required to report suspicious transactions when, on behalf of or for a client, they engage in a financial transaction in relation to the activities described in Recommendation 12(d). Countries are strongly encouraged to extend the reporting requirement on to the metals and dealers in precious stones where they should be required to report suspicious transactions when they engage in any cash transaction with a customer equal to or above the applicable designated threshold. Trust and company service providers should be required to report suspicious transactions for a client when, on behalf of or for a client, they engage in a transaction in relation to the activities referred to Recommendation 12(e).

Lawyers, notaries, other independent legal professionals, and accountants acting as independent legal professionals, are not required to report their suspicions if the relevant information was obtained in circumstances where they are subject to professional secrecy or legal professional privilege (FATF Financial Action Task Force, 2012). If they failed to acknowledge the suspicious transaction, the law will punish them under active concealment (Hall, 1995). Since the number of cases in money laundering is increasing, by having a proportion routine and suspicious report, it could lower the number of cases (Levi, 2002). Study by Chaikin (2009) stated that the FATF ratings of a country's compliance with international standards are objective, expert driven and consistent in application, but are limited as performance measures as they ignore the costs of anti-money laundering and STR measures. Besides that, evaluation of national STR systems is limited because of lack of reliable statistics on the extent of money laundering. Though there is a significant increase in the STRs filed, the impact of money laundering and terrorism financing is neither realized in terms of money laundering related convictions nor confiscations (Viritha, Mariappan, & Haq, 2015). There is a need to study in depth of this STR in order to cater the whole concept of DNFBPs.

2.3. Recommendation 17, 24 and 25

This recommendation is focused on the regulations (sanctions), supervision and monitoring guidance. Countries should ensure that there is a range of effective, proportionate and dissuasive sanctions, whether criminal, civil or administrative, available to deal with natural or legal persons that fail to comply with AML/CFT requirements. Sanctions should be applicable not only to financial institutions and DNFBPs, but also to their directors and senior management (FATF Financial Action Task Force, 2012). The use of sanctions in recommendation 17 could help the country in effectively curbing money laundering and terrorism financing. The effective rules and sanctions could benefit country to fully meet the compliance (Masciandaro, 2004). Recommendation 24 is about supervision where effective systems for monitoring and ensuring their compliance with requirements to AML/CFT is used. This should be performed on a risk sensitive basis. This may be performed by a government authority or by an appropriate self-regulatory organization, provided that such an organization can ensure that its members comply with their obligations to AML/CFT (FATF Financial Action Task Force, 2012). Money laundering could distort economic data and also policy making. By having the supervision measures, it could help to induce the confident in financial markets (Quirk, 1997). Meanwhile, recommendation 25 is about monitoring guidance. The competent authorities should establish guidelines, and provide feedback which will assist financial institutions and designated non-financial businesses and professions in applying national measures to AML/CFT, and in particular, in detecting and reporting suspicious transactions (FATF Financial Action Task Force, 2012).

2.4 Recommendation 20

Recommendation 20 is about other NFBPs and modern secured transactions. It is about the least used of cash transactions (Laundering, 2006). It is believed that the minimum use of cash could prevent the money laundering activity from occur. Some of the countries are replacing the cheque with modern secured retail payment instruments, automated direct debit and debit transfer and electronic bill payment systems. This is because most of money laundering activities rely mostly on cash. Large cash transaction could lead to potential money laundering (Senator et al., 1995).

Thus, this study would focus on the compliance for each country under the APG regime on these DNFBPs preventive measures. The study would be done by analyzing the mutual evaluation reports produced by APG. This mutual evaluation report is evaluated by FATF peers where assessors from member countries carry out on site assessments on implementation and prepare a detailed report on compliance.

3. Research Methodology

The mutual evaluation report on Anti Money Laundering and Combating the Financing of Terrorism for countries under Asia Pacific Group regime is being analysed for the purpose of the study. The reason of analysing the evaluation report is to review the compliance with the Financial Action Task Force (FATF) Forty Recommendations. Members of the society would carry out on site assessment regarding the recommendation implementation and compliance.

The focus would be on the preventive measures on DNFBPs. This is due the massive issues governing the professionals which are involved in money laundering activities. Analysis of the data is carried out based on the compliance of each country in regards of the recommendation outline by FATF. The recommendations are 1) Recommendation 12: Customer Due Diligence (CDD) 2) Recommendation 16: Suspicious Transaction Reporting 3) Recommendation 17, 24 and 25: Regulation, Supervision and Monitoring 4) Recommendation 20: Other Nonfinancial Business and Professions (NFBPs). In this study, 40 countries would be taken as a sample in analysing the compliance.

4. Findings and Discussion

Recommendation 12 received 31 non-compliant ratings meanwhile other 9 received partially compliant. Basically, the reasons of countries did not received full compliance from this recommendation is due to implementation of CDD and record keeping. Some countries have the guideline but yet to be implemented and some implement it but not thoroughly. CDD and record keeping implementation is very important to identify the complex or unusual transactions, unusual patterns of transaction that more likely to be the nature of money laundering and terrorism financing. The non-compliant rating states that the countries received non-compliant due to lack of effectiveness in terms of CDD and record keeping. Besides that, the countries also do not have mandatory CDD and record keeping requirements and also the authorities did not give any special attention to the complex and unusual transaction. Despite of the issues of effectiveness, some of the country did not include yet the CDD and record keeping in the AML/CFT regime and not all the DNFBPs sectors are required to follow the CDD and record keeping. Only specific sector such as trust and company services providers are required to do so.

Lastly, the largest weakness of implementation of recommendation 12 is that the scope of CDD exemptions is unclear and could be interpreted as exempting a large number of transactions. The countries find it hard to define the clear guideline for the professionals to follow. In terms of partially compliant ratings under this recommendation, there is no ongoing due diligence on the settler, beneficiaries and transactions for trust managements in cases where the trustee has no control over the administration of the trust. Besides that, key CDD and record keeping obligations is not included in law or regulation to collect information on beneficiaries of trust. The thresholds for CDD for occasional transactions differ from those of the FATF. Moreover, this recommendation only extended to the domestic trust companies and real estate agents and also little evidences of effective implementation given in the recent introduction of the CDD requirements. As per suggested by FATF, the countries should acquire knowledge about firm's client and prospective clients and to verify their identity as well as monitor business relationships and transactions. In addition, there is a must for record keeping, including details of customer due diligence and supporting evidence for business relationships, which need to be kept for five years after the end of a relationship and records of transactions, which also need to be kept for five years.

Under recommendation 16 (Suspicious Transaction Reporting) 29 countries out of 40 received non-compliant meanwhile 10 countries received partially compliant and only 1 country received largely compliant. As money laundering and terrorism financing are often transnational crimes that are not bound by geographical boundaries or sovereign jurisdiction, it is imperative that STR is allowed to cooperate and exchange relevant information with its foreign counterparts. It could help authority to share information with its foreign counterparts provided there is an arrangement with the foreign agency for the sharing of information on the basis of reciprocity and confidentiality. From the ratings it can be concluded that the main reason countries did not receive the full compliant is because their STR implementation is yet to be effective especially in terms of training. The countries which received non-compliant ratings is due to not filed suspicious transaction reporting, not enforcing reporting requirements, no internal control policies and controls. Furthermore, the countries are not required develop internal policies,

procedures, internal controls, ongoing employee training and compliance in respect of AML/CFT. In terms of partially compliant, the legal professions and accountants in the countries are not subjected to STR reporting obligation. Besides that, the effectiveness of STR regime is as yet untested in those countries. Most of the system of monitoring unusual transactions is generally based on cash threshold rather than analysis of transactions against client profile. The country that received largely compliant under this recommendation is due to the attempted transactions that are suspicious in nature and the fact that the country has not explicitly made a requirement for reporting.

On the other hand, the reasons of countries received noncompliant under recommendation 17, 24 and 25 (Regulation, Supervision and Monitoring) is because of absence of mechanisms for monitoring and ensuring compliance of DNFBPs with AML/CFT requirements, not all DNFBPs sector are required to follow the CDD and record keeping (trust and company services providers, TCSPs), absence of neither system for supervising AML/CFT obligations of DNFBPs at the time of the onsite mission nor for providing guidance or feedback. In terms of partially compliant, there is lack of effective regulatory and supervisory systems for monitoring to ensure compliance with AML/CFT requirements. The countries only adopt a risk base approach to determine the method and degree of monitoring to apply to each of the covered sectors of DNFBPs. The weaknesses is also obvious in effectiveness of compliance monitoring and absence of onsite examinations, inadequate resources for effective supervision of entities under the responsibility of FIU and absence of AML/CFT requirements for dealers in precious metals and stones. Furthermore, the competent authorities have not yet provide DNFBPs with guidelines to assist DNFBPs implement and comply with their respective regulations. In terms of largely compliant, the countries is lacking of sufficiently tailored guidance from the authorities.

As for recommendation 20, most countries received compliant ratings because there is encouragement of using modern and secure techniques for conducting financial transactions that are less vulnerable to money laundering. However, as for non-compliant ratings, there is encouragement of using modern and secure techniques for conducting financial transactions that are less vulnerable to money laundering in those countries. Meanwhile, for partially and largely compliant, the countries only taken limited measures to encourage the development and use of modern and secure techniques for conducting financial transactions that are less vulnerable to money laundering and terrorism financing and there are still gaps with effective measures to encourage the development and use of modern and secure techniques for conducting financial transactions that are less vulnerable to money laundering respectively. Table 1 presents the summary of compliant rating in APG mutual evaluation report and table 2 presents the summary of compliance ratings for each country. Meanwhile, Figure 1 presents the summary of rating compliant based on recommendation.

Table 1. Summary of Compliants Rating in APG Mutual Evaluation Report

Recommendation	Noncompliant	Partially Compliant	Largely Compliant	Compliant
12 Customer Due Diligence and record keeping	<ul style="list-style-type: none"> Lack of effectiveness in terms of CDD and record keeping Do not have mandatory on CDD and record keeping requirements. No special attention to the complex and unusual transaction Not yet included in the AML/CFT regime (Bangladesh) Not all the DNFBPs sector are required to follow the CDD and record keeping (trust and company services providers, TCSPs) The scope of CDD exemptions is unclear and could be interpreted as exempting a large number of transactions 	<ul style="list-style-type: none"> No ongoing due diligence on the settler, beneficiaries and transactions for trust managements in cases where the trustee has no control over the administration of the trust. Key CDD and record keeping obligations is not included in law or regulation to collect information on beneficiaries of trust. The thresholds for CDD for occasional transactions differ from those of the FATF. This recommendation only extended to the domestic trust companies and real estate agents and also little evidences of effective implementation given in the recent introduction of the CDD requirements. 	-	-
16 Suspicious Transaction Reporting (STR)	<ul style="list-style-type: none"> Do not filed STRs, nor enforcing reporting requirements, no internal control policies and controls Not required to develop internal policies, procedures, internal controls, ongoing employee training and compliance in respect of AML/CFT Not yet included in AML/CFT regime Not all DNFBPs sector are required to follow the CDD and record keeping (trust and company services providers, TCSPs) 	<ul style="list-style-type: none"> The legal professions and accountants are not subjected to STR reporting obligation. The effectiveness of STR regime is as yet untested. AML/CFT system has not been implemented. System of monitoring unusual transactions is generally based on cash threshold rather than analysis of transactions against client profile. 	Attempted transactions that are suspicious in nature are not explicitly made a requirement for reporting.	-
17, 24 & 25 Regulation, supervision and monitoring	<ul style="list-style-type: none"> No mechanisms for monitoring and ensuring compliance of DNFBPs with AML/CFT requirements. Not yet included in AML/CFT regime Not all DNFBPs sector are required to follow the CDD and record keeping (trust and company services providers, TCSPs) No system for supervising AML/CFT obligations of DNFBPs at the time of the onsite mission nor for providing guidance or feedback. 	<ul style="list-style-type: none"> Lack of effective regulatory and supervisory systems for monitoring to ensure compliance with AML/CFT requirements. They only adopt a risk base approach to determine the method and degree of monitoring to apply to each of the covered sectors of DNFBPs. Weaknesses in effectiveness of compliance monitoring and absence of onsite examinations, inadequate resources for effective supervision of entities under the responsibility of FIU and absence of AML/CFT requirements for dealers in precious metals and stones. Competent Authorities have not yet provide DNFBPs with guidelines to assist DNFBPs implement and comply with their respective. 	Lack of sufficiently tailored guidance	-
20 Modern Transaction Technique	<ul style="list-style-type: none"> No implementation of existing provisions to limit the use of cash in the economy. No risk assessment had been conducted, the authorities are not in position to identify whether other than DNFBPs are at risk of being misused for money laundering or terrorist financing purposes and would require being subjected to the AML/CFT framework. 	Only taken limited measures to encourage the development and use of modern and secure techniques for conducting financial transactions that are less vulnerable to money laundering and terrorism financing.	There are still gaps with effective measures to encourage the development and use of modern and secure techniques for conducting financial transactions that are less vulnerable to money laundering.	There is encouragement of using modern and secure techniques for conducting financial transactions that are less vulnerable to money laundering.

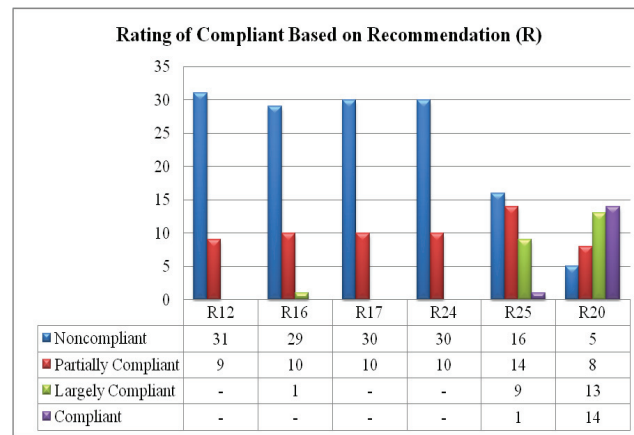


Fig. 1. Summary of Compliant Rating for 40 Countries

5. Conclusion

Traditionally, the financial sector is often seen as the gatekeepers of the Anti-money Laundering/Counter Terrorism Financing regime. Increasingly, governments and law enforcement agencies recognize the importance of designated non-financial businesses and professions (DNFBPs) in the combat against money laundering and terrorism financing activities. A review of APG mutual evaluation for 15 jurisdictions reveals that a significant number of countries were assessed to be either non-compliant, partially compliant largely compliant or full compliant with the FATF Recommendations 12, 16, 17, 20, 24 and 25. The analysis of the review indicated that there are still compliance issues in areas that might afford exploitative opportunities for criminals and organised crime groups. Most countries, for example, were deemed to be non-compliant in relation to there being no monitoring system and not fulfilling the requirement from FATF especially under recommendation 12, 16, 17, 24 and 25. This could have the undesired result of regulatory image where criminals and organised crime groups take advantage of a regulatory difference to facilitate their money laundering activities. However, in terms of modern transaction techniques, most of the countries are following the suit. While, the remaining followed the recommendations but still there are some fractions that need to be improved. FATF need to be more stringent on this compliance issue because by doing so it could help to curb terrorism financing and money laundering. This study is only limited to the results publish by APG from the mutual evaluation report. Future research could look deep into the DNFBPs operations and functions to search for the details on how they operate.

Acknowledgements

The research was supported by Accounting Research Institute (ARI) under Universiti Teknologi Mara, Malaysia.

References

- Ai, L. 2012. A cost - effective strategy of implementing international anti - corruption initiatives. *Journal of Money Laundering Control*, 16(1), 83-90.
- Buchanan, B. 2004. Money laundering—a global obstacle. *Research in International Business and Finance*, 18(1), 115-127.
- Chaikin, D. 2009. How effective are suspicious transaction reporting systems? *Journal of Money Laundering Control*, 12(3), 238-253.
- Choo, K.-K. R. 2014. Designated non-financial businesses and professionals: A review and analysis of recent financial action task force on money laundering mutual evaluation reports. *Security Journal*, 27(1), 1-26.

- FATF Financial Action Task Force, 2012. International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation: FATF Recommendations. Retrieved from www.fatf-gafi.org database.
- Freeland, C., 2003. How Can Sound Customer Due Diligence Rules Help Prevent the Misuse of Financial Institutions in the Financing of Terrorism? *Financing Terrorism* (pp. 41-48): Springer.
- Hall, M. R., 1995. Emerging Duty to Report Criminal Conduct: Banks, Money Laundering, and the Suspicious Activity Report, *An. Ky. LJ*, 84, 643.
- Internal Revenue Service (IRS), 2013. Examples of Money Laundering Investigations - Fiscal Year 2013. Retrieved 23 December, 2013, from <http://www.irs.gov>
- Johnson, J., 2008. Is the global financial system AML/CFT prepared? *Journal of Financial Crime*, 15(1), 7-21.
- Kersten, A., 2003. Financing of Terrorism—A Predicate Offence to Money Laundering? *Financing Terrorism* (pp. 49-56): Springer.
- Laundering, A. A. P. G. o. M., 2006. APG Mutual Evaluation Report (Australia).
- Levi, M. 2002. Money laundering and its regulation. *The Annals of the American Academy of Political and Social Science*, 582(1), 181-194.
- Masciandaro, D., 2004. Global financial crime: Terrorism, money laundering, and off shore centres: Ashgate Publishing, Ltd.
- MENAFATF, 2008. Designated Non-Financial Businesses and Professions (DNFBPs) in relation to AML/CFT Financial Action Task Force.
- Mitchell, A., Sikka, P., Willmott, H. 1998. Sweeping it under the carpet: The role of accountancy firms in money laundering. *Accounting, Organizations and Society*, 23(5), 589-607.
- Quirk, P. J., 1997. Macroeconomic implications of money laundering. *Trends in Organized Crime*, 2(3), 10-14.
- Senator, T. E., Goldberg, H. G., Wooton, J., Cottini, M. A., Khan, A. U., Klinger, C. D., Wong, R.W., 1995. Financial Crimes Enforcement Network AI System (FAIS) Identifying Potential Money Laundering from Reports of Large Cash Transactions. *AI magazine*, 16(4), 21.
- Thony, J.-F. 2002. Money laundering and terrorism financing: an overview. *International Monetary Fund*, 1.
- Verdugo, C., 2008. International standards in anti-money laundering and combating the terrorist financing regulation: compliance and strategy changes. *Global Business and Economics Review*, 10(3), 353-378.
- Viritha, B., Mariappan, V., Haq, I.U., 2015. Suspicious transaction reporting: an Indian experience. *Journal of Money Laundering Control*, 18(1), 2-16.