

REPUBLIC OF NAURU

ANTI-MONEY LAUNDERING AND TARGETED FINANCIAL SANCTIONS BILL 2023

SECOND READING SPEECH

Honourable Pyon Deiye, M.P.

7 June 2023

Mr. Speaker Sir,

I introduce to the House today the *Anti-Money Laundering and Targeted Financial Sanctions Bill 2023*.

Mr. Speaker and Honourable Members, money laundering is a crime that has been around for some time now. Its origins can be traced back to as early as the 13th century. However, money laundering was highlighted in the 1930s when a well-known criminal popularly known as Al Capone used money received from his illegitimate businesses such as prostitution and bootlegging to fund his legitimate businesses such as laundromats and others. By doing this, Al Capone was able to make it appear as if his profits were legitimate because he concealed the criminal origins of this money. This is where the term money laundering was coined. Money laundering simplified, is where dirty money is assimilated into the financial system through additional transactions, until the “*dirty money*” appears clean. This is done in a 3-tier process. The first tier is placement – where money is assimilated into the financial system. The second tier is layering – where complex financial transactions are made to conceal the illegal source of the money. The third tier is integration – where wealth is acquired from the illicit funds transaction.

Mr. Speaker Sir, that is a basic understanding of what money laundering entails.

Mr. Speaker and Honourable Members, having in place in Nauru a legislation that addresses money laundering is not new. The initial anti-money laundering legislation was the *Anti-Money Laundering Act 2004*. Nauru currently has in place the *Anti-Money Laundering Act 2008*. This Act is proposed to be repealed and replaced by the *Anti-Money Laundering and Targeted Financial Sanctions Bill 2023*.

Mr. Speaker and Honourable Members, the main rationale for replacing the current Act is to implement international standards set by the Financial Action Task Force (‘FATF’). The FATF is an inter-governmental body that leads global action in the field of money laundering. In the Pacific region, the implementation of these standards is led by the Asia Pacific Group (“APG”) on Money Laundering. Nauru is a member of the APG. As a member of the APG, Nauru is required to domesticate its obligations into our domestic laws.

Mr. Speaker Sir, the harmful impacts of money laundering have extended to the financing or proliferation of terrorism and weapons of mass destruction. It has evolved and as it evolves, so do the international standards. For this purpose, the *Anti-Money Laundering and Targeted Financial Sanctions Bill 2023* expands on the provisions in the current Act. It also introduces a mechanism where Nauru can apply targeted financial sanctions. This allows our authorities to designate a person, country or entity. A designation will act as a flag for any financial institution or reporting entity to not engage in any business dealing with the designated person, entity or country.

Mr. Speaker Sir, countries around the world—including Nauru—have committed themselves to apply the FATF Standards. These standards are designed to deter, detect and respond to money laundering and the financing of terrorism and proliferation financing. Countries around the world also recognise the benefits that flow from having a banking and financial system, that gives businesses the confidence to invest, safe in the knowledge, that their investment will be protected.

Mr. Speaker and Honourable Members, like other countries around the world, Nauru has agreed to undergo a periodic evaluation of implementation of these standards. This is a process in which Nauru is scheduled to participate in this year. This is not the first time for Nauru to undergo this process. In 2012 Nauru also underwent an evaluation of the implementation of these standards. Nauru's rating was held to be largely compliant. The goal is to retain this rating and to improve on it. The review requires the amendment of the legal, administrative and enforcement framework. The mutual evaluation begins with the review of the laws. This will entail view of whether the FATF anti-money laundering rules are domesticated in our laws or not. Domesticating the rules is required for enforcement. Once this hurdle is met, the mutual evaluation will then review the work of the office and operations of the Financial Intelligence Unit (FIU). For that, we have from previous years had allocated separate budget for the FIU. As part of the review, financial entities, reporting requirements will also be assessed. The FIU has already taken steps to educate the reporting entities on the same. This Bill now provides comprehensive reporting requirements for anti-money laundering. It also provides the legislative framework for the establishment and operation of the requirements of the FATF standards. Nauru already has the enforcement offices such as Police, Border protection staff such as customs, quarantine and immigration and FIU staff. It also has enforcement procedures through the business registration process, beneficial ownership registration process and so forth. Nauru has for enforcement purposes, the Court. In 2018, the whole court establishment was reviewed and reformed. This also resulted in the establishment of the Court of appeal. Certainly, this progress will add value for the mutual evaluation purposes.

Mr. Speaker Sir, whilst a good result in this evaluation process would send a strong signal to the international community that Nauru is a safe place to do legitimate business, a poor result can damage a country's international reputation.

Mr. Speaker and Honourable Members, the *Anti-Money Laundering and Targeted Financial Sanctions Bill 2023* seeks to bring the laws of Nauru into line with the FATF standards by addressing a number of the criteria against which Nauru will be assessed. The Bill's objectives are to:

- (a) provide for the effective legal, regulatory and operational measures for combating money laundering, terrorist financing and proliferation financing and other related threats in Nauru;
- (b) provide for measures enabling the detection and prevention of money laundering, terrorist financing and proliferation financing;
- (c) protect the financial system of Nauru from being used for money laundering and the financing of terrorism and proliferation financing;
- (d) provide for and empower the Financial Intelligence Unit and certain other departments or government agencies to carry out their powers, functions and responsibilities under the Bill or any other written law;
- (e) enable Nauru to enforce targeted financial sanctions to prevent and arrest terrorism, terrorist financing and proliferation financing;
- (f) make provision for reporting entities to establish procedures and commit resources to comply with the requirement of combatting money laundering and terrorist financing and proliferation financing;
- (g) continue to further enhance the international reputation of Nauru where appropriate by the adoption of financial action task force and other mutually agreed relevant international commitments;
- (h) facilitate cooperation amongst reporting entities domestically and internationally, with government agencies international partners which are vested with similar duties, functions and responsibilities; and
- (i) establish public confidence in the financial system of the Republic.

Mr. Speaker Sir, although the Bill repeals the *Anti-Money Laundering Act 2008*, it continues to retain many of its key provisions. A new Bill is necessary because the initial drafts showed extensive amendments to the Act. It was too convoluted and difficult to comprehend. Hence, a new Bill is appropriate to have the laws set out in a comprehensive and chronological manner and

logically makes it sensible to read. Also, all recent laws are now updated and consolidated into this Bill. These are updated in accordance with the latest international standards and tailored to the specific circumstances of Nauru. In particular, it includes:

- (a) an updated offence of money laundering, as well as a secondary offence of dealing with property reasonably suspected to be criminal property;
- (b) obligations for a range of entities—including financial institutions—to assist in deterring and detecting money laundering, including to conduct customer due diligence, maintain certain records and report suspicious activity;
- (c) updated powers to enable the Financial Intelligence Unit to administer and enforce the anti-money laundering laws of Nauru. That is, to supervise the compliance of reporting entities with their obligations, to receive, analyse and conduct further inquiries about financial crime and to work with relevant authorities in Nauru and abroad to combat financial crime; and
- (d) establishes a targeted financial sanctions regime so that Nauru may implement domestically the sanctions regimes established by the United Nations Security Council. These are in relation to terrorism and the proliferation of nuclear, chemical and biological weapons. It provides for a regime of listing and de-listing, and provides necessary powers for the supervision and enforcement of the regime.

Mr. Speaker Sir, the explanatory memorandum details the provisions of the Bill. Sir, I request that the explanatory memorandum be read and recorded in the Hansard Reports.

I commend the Bill to the House.