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CHAPTER 4. TERRORIST FINANCING AND FINANCING OF PROLIFERATION

Key Findings and Recommended Actions

Key Findings

TF offence (IO 9)

- 1) Chinese Taipei's assessed its TF risk in the 2017 NRA. The NRA found that Chinese Taipei is a low risk for TF which the team considers is a reasonable conclusion.
- 2) The CTF Act (2016) criminalises TF in accordance with most international requirements and was further amended in 2018.
- 3) The NSB is the highest intelligence authority and in practice coordinates efforts on TF investigations. NSB's December 2017 operational procedure for investigating cases involving terrorism (including TF) sets out operational responsibilities for each agency and has been used by LEAs involved in CFT matters (NSB, MJIB, AMLD).
- 4) A number of financial investigations of suspected TF cases have been successfully undertaken. They involved intelligence sharing and ultimately uncovered conduct unrelated to TF.
- 5) There have been no TF convictions in Chinese Taipei, which is in keeping with the TF risk profile.
- 6) The central authority in charge of counter-terrorism policy is the Office of Homeland Security (OHS) which regularly exchanges information with national security, LEA, and administrative agencies through meetings of Homeland Security Policy Committee of Executive Yuan.
- 7) There is no separate investigation unit for TF, however in the event of potential TF cases, the NSB coordinates efforts with LEAs, Prosecutors, AMLD and the OHS as needed. The authorities are well-equipped to conduct parallel financial investigations based on existing expertise and the sound framework for TF. Should TF arise in the future in Chinese Taipei, the authorities are well placed to investigate thoroughly and effectively.

TFS related to TF and NPOs (IO 10)

- 1) Chinese Taipei has strong policy and operational coordination mechanisms to support the implementation of a legal framework for implementing TFS to combat terrorism.
- 2) There are some technical compliance gaps with the freezing obligations and prohibitions – these do not extended to those acting on behalf of, or at the direction of, designated persons or entities.
- 3) The legal framework for CT-related TFS is being implemented without delay. The mechanism that would be used for 1373 designations has been used for domestic designations related to PF and has been shown to operate well.
- 4) Name-screening measures are being reasonably implemented by FIs and DNFBPs. Authorities have issued guidance to all sectors and undertaken a great deal of outreach to all FI and DNFBP sectors. All sectors have subsidised access to screening software to support implementation.
- 5) FIs, especially banks, demonstrate a good understanding on TFS obligations and the implementation of CDD measures and transaction monitoring to implement screening.

- 6) FSC and other supervisors have commenced supervision of TFS amongst FIs.
- 7) Chinese Taipei has undertaken elements of a domestic review of its NPO sector and has considered potential risks within the NPO sector to identify which subset of NPOs that might be of particular risk of being misused for TF.
- 8) Regulators and competent authorities have conducted outreach and awareness raising in relation to transparency, good governance, TF risks and related mitigation measures.
- 9) A graded range of risk mitigation obligations, guidance and supervision has been applied taking into account the relative risks of particular sub-sectors and the features and activities of individual NPOs.

Proliferation financing (IO 11)

- 1) Chinese Taipei has strong policy and operational coordination mechanisms to support the implementation of a legal framework for TFS to combat PF. The legal framework for PF-related TFS is being implemented without delay.
- 2) There are some technical compliance gaps with the freezing obligations and prohibitions – these do not extend to those acting on behalf of, or at the direction of, designated persons or entities. However, the legal framework for TFS goes beyond FATF standards by including a PF-related offence and related STR reporting obligations as well as establishing a domestic designation system to complement the obligations under Rec. 7. Chinese Taipei has used this domestic framework to designate certain natural and legal persons working on behalf of or at the direction of the principal designee, which goes some way to overcome the technical compliance gap.
- 3) TFS related to DPRK have resulted in over USD 3.96 million being frozen or seized, including assets indirectly owned or controlled. Chinese Taipei has implemented its additional domestic system and has designated a local and related entities linked to PF and subjected them to TFS, including freezing considerable assets. FIs have filed numerous PF-related STRs which have assisted LEAs to investigate possible networks associated with designated persons and entities. Authorities have granted access to frozen funds for basic expenses in keeping with the standards.
- 4) The name-screening measures are reasonably implemented by FIs. Chinese Taipei demonstrates its ability to freeze funds or other assets of designated persons/entities. Authorities have issued guidance to FIs and DNFBP and supported all sectors to have access to screening software.
- 5) FIs, especially banks, demonstrate a good understanding on TFS obligations and the implementation of CDD measures and transaction monitoring for sanctions matches. Authorities have undertaken awareness raising on PF to promote understanding of obligations on all FI/, DNFBPs and other sectors required to implement TFS. Challenges remain with obtaining sufficient detailed information on intermediaries associated with designated persons or entities. FSC and other supervisors have undertaken supervision of PF-related TFS amongst FIs.

Recommended Actions

TF offence (IO 9)

- a) Chinese Taipei should continue to maintain an understanding of regional and global trends that might change the risk profile of Chinese Taipei to TF.
- b) Chinese Taipei should ensure that in the event of potential TF the CFT SOP and related measures

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are able to be applied swiftly, whilst the nature of the matter (terrorist related or general criminality) is still being determined.

- c) The NSB should continue to strengthen and promote sharing of intelligence amongst security agencies, LEAs and to the private sector particularly in relation to external TF threats.
- d) In light of the findings in the NRA, authorities should conduct further analysis of the OBUs and DBUs to better understand their vulnerability to TF. Any relevant findings as part of this exercise should be shared with sectoral regulators and supervisors.

TFS related to TF and NPOs (IO 10)

- a) Address the remaining TC gaps with the CFT Act.
- b) Continue to conduct outreach and awareness raising to FI/DNFBP on possible sanctions evasion risk associated with emerging threats and actions to look for those working on behalf of or at the direction of designated persons/entities. Continue information sharing to FIs to assist in their work to monitor and screen for possible matches or sanctions evasion.
- c) Further promote and support transparency and good governance of the NPO sector, with particular support to the sub-sector of NPOs identified as carrying some risks for abuse for TF.
- d) Provide further information regarding possible TF risk to NPOs and their regulators to continue to refine risk-based implementation. This should involve MOFA and LEAs/NSB.

Proliferation financing (IO 11)

- a) Revise the CTF Act to rectify technical gaps identified, including ensuring freezing obligations clearly extend to all funds owned or controlled by persons or entities acting on behalf of designated persons or entities and comprehensive TFS are enforceable on all natural and legal persons.
- b) Continue to provide support to FIs/DNFBPs (guidance and outreach) with further information to assist screening for those working on behalf of or at the direction of designated persons/entities and to help to monitor and screen for possible sanctions evasion. This should be complemented by authorities assessing financial products and services that are likely to be abused or misused for sanctions evasion.
- c) Supervisors should continue to identify sectoral vulnerabilities to target off-site and on-site supervision of CPF TFS and provide additional case-specific information to the private sector.

Immediate Outcome 9 (TF investigation and prosecution)

Prosecution/conviction of types of TF activity consistent with the Chinese Taipei's risk-profile

226. Chinese Taipei conducted an NRA in 2017 that determined that TF is low risk in Chinese Taipei and that no substantial TF threat has been identified thus far. The team has considered Chinese Taipei's NRA report and in conjunction with its own findings and open source material considers that an overall rating of low risk for TF is reasonable.

227. The NRA considered the potential threat for TF based on the nature of foreign workers in Chinese Taipei. There are approximately 676,000 foreign migrant workers residing in Chinese Taipei, predominantly from Indonesia, Vietnam and the Philippines. LEAs had conducted financial

investigations of two potential instances of TF involving foreign workers, but ultimately did not identify TF conduct in Chinese Taipei.

228. The NRA considered TF risks amongst the NPO sectors and identified civil associations, religious foundations and charity foundations as having potential risks due to insufficient information being provided in anonymous donations and the scope of their operation. Whilst there has been no identified case of TF through NPOs, authorities maintain their vibrant NPO sector may be vulnerable. A discussion of actions taken with respect to NPOs is provided below in IO10. It is noted that the likely channels being used for TF will be the OBUs and Domestic Banking Units (DBUs).

229. The CTF Act was enacted in 2016 criminalising TF in accordance with most international requirements.

230. There are no TF convictions in Chinese Taipei. Thus far, the MJIB has investigated a total of 7 cases potentially related to terrorism or TF activities. Four of those cases have been closed and three cases remain under investigation. Based on current investigations, no TF case has actually been uncovered so far in Chinese Taipei.

TF identification and investigation

231. The NSB is the intelligence agency responsible for collecting and analysing intelligence or information related to national security and interests. The NSB is able to integrate and coordinate with other agencies such as the NIA, MJIB, AMLD and military agencies in cases of national security. In response to global threats, including the concern around foreign fighters and other matters, authorities in Chinese Taipei collaborated to introduce the “Investigation and Processing Operation Procedures for Cases Involving Terrorism” (the CFT SOP) in December 2017. The CFT SOP has been disseminated to and used by relevant LEAs involved in investigating terrorism (NSB, MJIB, AMLD). Relevant extracts of i. intelligence collection; ii. Intelligence investigation; iii. Prosecution/TFS; iv. Counter terrorism responses/strategies. The SOP includes strategies to investigate funds flows and to seek and provide international cooperation where relevant and provides for domestic cooperation.

232. There is no designated unit for TF investigations, however in cases where TF was suspected, the NSB coordinated efforts with LEAs, Prosecutors, AMLD and the OHS in line with the CFT SOP.

233. Prosecutors do not have designated sections devoted to TF (in line with the risk profile). However, in the event that TF occurred, the matter would be dealt with by a prosecutor working in the major criminal cases division of the HPO. In such cases, the Prosecutors have particular guidelines to abide by which require Prosecutors to ensure a speedy investigation, and all documents sent to court are marked red meaning it is an urgent case amongst other special measures.

234. TF matters that fall to MJIB to investigate are dealt with by the National Security Operation Division. This division has a wide range of functions regarding counter terrorism including PF and TF. In addition, the MJIB International Operations Division would also seek related intelligence from partners in other jurisdictions. TF or terrorism matters that come to the NPA are dealt with by the Intelligence Protection Division. In this instance, the NPA would initiate a nationwide investigation and such a case would be regarded as a major case.

235. The AMLD has demonstrated it plays a key role in TF investigations in the small number of cases that have been outlined. The AMLD demonstrated that it has actively supported Egmont Group exchanges of information relating to TF.

236. The NIA also plays a role in TF investigations and has provided details of cases in which they received intelligence regarding the potential involvement of a foreigner with IS who may have sought

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entry into Chinese Taipei. In these cases, the NIA exercised its power under the Immigration Act and denied entry to this person.

237. Authorities are aware of their respective roles and responsibilities and are well-equipped to conduct parallel financial investigations based on existing expertise. Should TF arise in the future in Chinese Taipei, authorities are well placed to investigate thoroughly and effectively.

238. There have been no STRs from any domestic reporting institution involving TF in the past 3 years. However, the AMLD has conducted financial investigations on the basis of requests from Egmont partners. Once analysed by the AMLD the information is sent to the National Security Operation Division⁹ (NSOD) of the MJIB, and other LEAs.

Table 4.1: TF intelligence statistics provided by the NSB

Counter-terrorism intelligence / year	2015	2016	2017	2018 (Jan-Jun)	Total
Number of Counter-Terrorism intelligence	12	19	*136	7	174
Number of specific intelligence relating to TF	0	2	0	0	2
Criminal investigations with TF links	0	2	0	0	2
Counter terrorism and TF intelligence distributed to other national security authorities (such as NPA, MJIB, NIA)	12	21	136	7	176
TF -related STRs	0	0	0	0	0

* Note: The surge in 2017 relates to the Universiade event held in Taipei in which authorities undertook a significant amount of pre-event intelligence exchanges with foreign counterparts.

239. There has been one significant incident in Chinese Taipei involving a bombing of the high speed rail. In this matter the AMLD took initiative to conduct a financial investigation into the suspects based on media reports that led to the finding that the incentive behind the bombing was in fact market manipulation and not terrorism related.

Case Example 4.1: 2013 bombings on the high-speed rail in Chinese Taipei

On April 12 2013 bombs were placed on the High Speed Rail, which did not explode. NSB and OHS were informed and the criminal investigations were coordinated by the DPO. The NPA was responsible for investigating certain aspects of evidence such as the explosives, collection of evidence, questioning of suspects etc. The NSB coordinated the intelligence agencies. The suspects had travelled to China. NPA obtained cooperation from counterparts in China, which resulted in the suspects being returned to Chinese Taipei.

AMLD financial investigations commenced based on media reporting on the incident. AMLD notified FIs seeking further information and received emergency STRs from more than 10 FIs on the same day. Preliminary analysis showed that one of the suspects had converted all of his assets to cash prior to engaging in this conduct. He collected a significant amount of money in order to short the Chinese Taipei Index Futures on the Singapore exchange. This information was submitted to the DPO.

The DPO investigation identified the aim of the bombing was financial gain through the short position in the stock market prior to a bombing anticipating the stock price plummet in response to the bombings. The defendants were prosecuted for attempted murder, offences against public safety and violation of the Futures Trading Act. One defendant was sentenced to 20 years imprisonment and the other was

⁹ The NSOD is a unit under the MJIB responsible for coordinating and organising investigations on cases related to terrorist activities, terrorist financing and PF. It receives and allocates intelligence received from AMLD relating to these matters.

sentenced to 10 years and 6 months imprisonment.

Authorities looked comprehensively into other possible connections and motives and concluded in this matter that it was not a terrorist incident. Under the Homeland Security Situation Determination Procedures, the competent authorities assess whether the case is in fact terrorist activity by reviewing the intent and other issues behind the crime.

240. As seen in the case study above, procedures are in place for authorities to determine whether or not in fact an event is a terrorist event. If it is determined to be connected to terrorism, then the CFT SOP will apply which outlines the responsibilities of each respective agency. Authorities should ensure that the Homeland Security Situation Determination Procedures do not prevent a swift response using all relevant powers and agencies prior to the determination being made.

241. It is evident that Chinese Taipei exchanges intelligence with supportive foreign counterparts regarding potential TF targets. This was demonstrated in live cases and regular international cooperation to prepare for possible terrorist cases. Chinese Taipei has taken preventative measures such as denying entry to potential financiers on the basis of foreign intelligence. However, authorities note that increased exchanges of intelligence with a variety of foreign partners would increase their ability to more effectively target foreign threats to Chinese Taipei.

TF investigation integrated with -and supportive of- national strategies

242. Chinese Taipei has good counter-terrorism policies in place organised by the OHS. The “Guidelines for Contingency Response Plans and Operations of Homeland Security of Executive Yuan” provide a basic framework for counter-terrorism. At a more operational level, underneath the OHS sits the “Response Team for Major Man-made Security Accidents or Terrorist Attacks” with designated agencies for each incident. The case studies identified above highlight how TF intelligence and related financial investigations have been supportive of national CT strategies. TF intelligence contributed to the CT preparations ahead of the 2017 Universiade event held in Taipei. As outlined in IO1, Chinese Taipei lacks a national CFT strategy and it will be important that CFT concerns by AMLD and LEAs are closely integrated with and supportive of national CT strategies.

243. The main counter terrorism and CFT mechanism is the Homeland Security Policy Committee of the EY, which was established to formulate CT policies, review laws, approve plans and supervise operations. At the operational level, the Director of OHS organises working level meetings for specific issues with relevant agencies and such meetings are also held regularly. The NSB is key for planning, regulation, supervising and integrating national intelligence for terrorism and TF. The OHS and NSB remain on alert to share counter-terrorism intelligence. The NSB integrates and assesses intelligence from all agencies, including from AMLD, to make a judgment about individual cases.

Effectiveness, proportionality and dissuasiveness of sanctions

244. There has been no prosecution of TF in Chinese Taipei. The available sentences for TF range from one to seven years (CTFA Art. 8). In the context of Chinese Taipei, such sentencing is commensurate with other serious offences such as human trafficking and kidnapping for ransom.

245. The CTFA provides for sentence remittance in the event that the offender voluntarily surrenders within six months after committing the crime. Because surrender refers to a situation where the authorities have no prior knowledge of a crime and is different from confession, authorities confirm that the remittance assists to initiate new investigations and uncover networks where they were previously unknown. The provision does not apply if the authorities are already aware of and investigating a suspect. In the absence of TF prosecutions, this provision has never been applied.

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Alternative measures used where TF conviction is not possible (e.g. disruption)

246. Chinese Taipei has a low risk for TF and few instances have been detected. Despite this, Chinese Taipei is able to implement various measures where a TF conviction is not possible. Such measures include strengthening of border security, prosecuting other crimes where TF is not possible, and revocation of NPOs licence should it be identified as having been used for TF.

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247. Chinese Taipei has signed a terrorist screening exchange agreement with the United States. This assists agencies to screen prior to travellers' arrival in Chinese Taipei. Further, due to the numbers of migrant workers in Chinese Taipei and the findings of the NRA, NSB very carefully vets all migrant workers seeking to enter Chinese Taipei to work. All workers are required to apply for a permit which is then vetted by the NSB and immigration agencies and if necessary, entry to Chinese Taipei is denied.

248. Chinese Taipei has taken significant efforts to disrupt and prevent potential TF. This was demonstrated in the recent Summer Universiade event in which the NSB managed potential threats including international cooperation with foreign partners to vet each person entering Chinese Taipei. In addition, Chinese Taipei repatriated a person suspected of possible IS recruitment, and has also denied entry as evidence of supporting terrorism was discovered (see following case study).

Case Example 4.2: TF investigations

In August 2016 Chinese Taipei received intelligence on migrant worker T suspected of possible IS recruitment. As a result of the authorities' investigation, T was repatriated from Chinese Taipei.

In December 2016 Chinese Taipei received intelligence on migrant worker D from Indonesia who attempted a bomb attack on the Indonesian President. D had been employed for home care in Chinese Taipei from 2013 to 2016. After Chinese Taipei intelligence authorities and LEAs conducted investigations the decision was made to deny entry future to D as evidence of supporting terrorism was discovered.

Overall conclusion for Immediate Outcome 9

249. Assessments confirm that terrorism and TF risks are low overall, however TF investigations are given a high priority. LEAs, prosecutors, the FIU and security intelligence authorities have well developed investigation capacity, and standard operating procedures to respond to possible cases of terrorism or TF. There have been a number of cases where authorities have proactively and systematically investigated TF alongside possible terrorism cases and, in two other incidents, investigated possible TF cases. The conduct of financial investigations is in keeping with the risk profile and CFT policies. Chinese Taipei has used immigration laws to keep possible terrorist financiers out of the jurisdiction where it is not practicable to secure a TF conviction

250. Chinese Taipei has a substantial level for effectiveness for Immediate Outcome 9.

Immediate Outcome 10 (TF preventive measures and financial sanctions)

Implementation of targeted financial sanctions for TF without delay

251. The CTA was promulgated in July 2016 and amended in November 2018 to give effect to TFS under R. 6. Chinese Taipei has strong policy and operational coordination mechanisms to support the implementation of a legal framework for implementing TFS to combat terrorism. There are some technical gaps in the legal basis for TFS as freezing obligations and persons or entities that are not regulated FIs or DNFBPs under the MLCA to implement TFS (availability of an administrative sanction and clear requirement to report a freeze action or attempt to provide funds). The amended CTF Act applies to assets wholly or jointly owned or controlled, directly or indirectly, but not clearly to property derived from such property or to funds or other assets of persons and entities acting on behalf of or at the direction of designated persons and entities, except when those funds are also property or property interests of the designated person or entity.

252. TFS freezing obligations are being implemented without delay. The process for converting UN listings into binding domestic designations and updating domestic websites and publications with new names occurs within 24-36 hours following any UN updates. The competent authority (MOJ / MJIB) has dedicated personnel who check the UN sanction lists daily basis to ensure that sanctions list is up-to-date. The MJIB reports sanction lists of related UNSC resolutions from time to time to the MOJ.

253. MOJ is the competent authority responsible for designations pursuant to UNSCR 1373. The TF Review Committee (TFRC) is well established to implement UNSCR 1373-related designations should the need arise, either based on a domestic initiative or when considering foreign requests. In practice, Chinese Taipei has not used the TFRC for a 1373 designation, which is in keeping with the risk profile. Chinese Taipei demonstrated that the TFRC has operated well to consider and designate persons and entities associated with domestic proliferation financing, which utilises the same mechanisms and evidentiary standards, albeit in relation to financing of WMD proliferation.

254. A very large number of outreach and awareness raising sessions have been undertaken to FIs and DNFBPs regarding implementation of TFS against TF. Guidance has been issued to all FI and DNFBP sectors, which add to effective implementation. Both outreach and guidance are strongly supported by government authorities and all sectoral associations (see IO 4).

255. Sanctions screening by FIs and DNFBPs is being conducted reasonably well. Screening by banks appears to go beyond UN lists to include OFAC and other national lists. However, there has not been sufficient focus on sanctions evasion vulnerabilities through entities associated with designated persons (see IO 4), which reflects the gap in the legal framework. Despite this, the context of Chinese Taipei and its TF risk do not raise particular concerns in this regard for this immediate outcome. Authorities have good supported transaction and customer checking amongst FIs/DNFBPs through the subsidising the provision of TDCC system for TFS sanctions and PEP screening databases to ensure that even small business DNFBPs have access to comprehensive sanctions and PEP checking lists. Not all DNFBP use the TDCC, but the coverage is wide and increasing. FSC and TDCC maintain data on usage of the system and continue to encourage uptake of sanctions screening software.

256. Supervision of FIs for TFS compliance has taken place over a number of years. Supervision of DNFBPs for TFS has been limited, although more supervision has been undertaken with accountants. Reflecting high levels of outreach, FIs /DNFBPs demonstrate good understanding of their obligations and processes to respond to alerts received following each update to the government's TFS list.

257. No funds or other economic resources related to persons or entities designated by the UN have been located in Chinese Taipei. No cases of possible false positives have been reported to the authorities, although guidance has been sought from FIs. This is in keeping with the risk profile.

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Targeted approach, outreach and oversight of at-risk non-profit organisations

258. Since 2017 Chinese Taipei has pursued a targeted, interagency coordinated approach to overseeing the whole NPO sector based on its assessment of TF risks.

259. Regulators demonstrated a good understanding of risks and vulnerabilities for TF. This was captured in the NRA and through further work by authorities in 2017-18 to identify the subset of NPOs that may be at risk and should be the focus of FATF standards/controls. Through this process regulators demonstrated a good comprehension of risks and vulnerabilities. While TF risks are low overall in Chinese Taipei, authorities have taken a reasonable approach to assess which sub-sectors of NPOs that meet the FATF definition may be vulnerable to being misused for TF by considering their legal form, governance and transparency; the focus nature and location of their work; and the collection and disbursement of funds. Of these, further emphasis has been given to those few sub-sectors which may undertake charitable work in riskier jurisdictions.

Table 4.2: Chinese Taipei’s assessment of the risk profile of NPO sectors (2017)

	Civil Associations	National Religious Foundations	Social Charity Foundations	Medical Foundations	Educational Foundations	Cultural Foundations
TF risk	At risk	At risk	At risk	No risk	No risk	No risk
NPOs	16,277	192	236	58	1,025	202

260. A great deal of outreach and awareness raising has been undertaken to the regulators and to the NPO sector to ensure that the wider set of regulators and at-risk NPOs are aware of their obligations and potential TF risks. More detailed outreach and awareness raising has focused on those sectors MOFA and regulators have, in cases of NPOs working in or near to conflict zones, provided more targeted risk information.

261. Chinese Taipei demonstrates that it has, to a large extent, without disrupting or discouraging legitimate NPO activities, applied focused and proportionate measures to such NPOs which it has identified as being vulnerable to TF abuse, in line with the risk-based approach. A graded range of risk mitigation obligations, guidance and supervision has been applied taking into account the relative risks of particular sub-sectors and the features and activities of individual NPOs.

262. Chinese Taipei demonstrated that it has good controls to manage risks with charitable collection. There are strong transparency and good governance controls in place across various NPOs sub-sectors. A number of recent changes have further deepened these controls for NPOs carrying some TF risks. NPOs are covered by requirements for maintaining records, obtaining permission to undertake fundraising, as well as providing reports on programs, funding and expenditure. There are controls on programs, fundraising and expenditure of NPOs, with a particular focus on high risk jurisdictions as destinations following the principles of know your recipient NGOs. In a number of cases where there may be greater risks, authorities undertake onsite visits to charities to confirm the implementation of controls on programs, finances and personnel.

263. For civil associations, national religious foundations and social welfare charity foundations, more targeted outreach has been undertaken and sectoral and institutional risk assessments are required and are being conducted. The three regulators have been supported by AMLD and LEAs to commence more focused offsite and onsite monitoring of targeted NPOs.

Table 4.3: NPO outreach and education on AML/CFT by competent authorities

Competent authorities		2016		2017		2018 (Jan-Jun)	
		Sessions	Participants	Sessions	Participants	Sessions	Participants
MOHW	SFAA	2	239	1	37	2	181
	DMA	1	33	2	46	0	0
MOI	DCA	0	0	2	187	0	0
	CCAPO	0	0	2	350	0	0
MOE		7	691	4	261	2	314
MOC		2	140	0	0	0	0

264. Foundations Act amendments in 2018 included targeted controls for CFT. Article 10 requires foundations to have AML/CFT plans if branch offices are located in countries with particular ML/TF risks. Article 25 requires foundations to undertake and report on the findings of a risk report (along with work plans and budgets) if they are related to jurisdictions or areas with high risks of ML or TF.

265. Outreach, monitoring and supervision of NPOs and controls on charitable fundraising indicate that levels of compliance with obligations are reasonable. Chinese Taipei authorities have allocated significant resources to outreach and resources to monitoring and oversight. Implementation of these measures is proportionate to the risks faced by Chinese Taipei.

266. While police authorities have not identified or investigated NPOs exposed to terrorist and TF risks, this is in keeping with Chinese Taipei's risk profile. TF investigation capacity, information sharing and experience with international cooperation are in place to ensure any NPO-related TF investigations can be prioritised.

Deprivation of TF assets and instrumentalities

267. There have not been any cases of terrorists or terrorist financiers being deprived of their assets. As such there have not been any matters of restraining, seizing or confiscating any TF-related assets or instrumentalities. This is in keeping with the risk profile.

Consistency of measures with overall TF risk profile

268. The measures undertaken by Chinese Taipei are consistent with its overall TF risk profile. These conclusions were based on: statistics provided by Chinese Taipei, discussions with the NSB, AMLD, AMLO and LEAs; relevant risk and threat assessments; and case studies showing the close consideration of risks and potential cases and risk TF mitigation measures by LEAs and NPO regulators.

Overall conclusions on Immediate Outcome 10

269. Chinese Taipei demonstrated that it has implemented TFS, taken a targeted approach to overseeing NPOs of higher risk, and is prepared to deprive terrorists and terrorist financiers of their assets consistent with Chinese Taipei's risk profile. LEAs and intelligence services are vigilant to evolving TF risks. Chinese Taipei authorities have allocated significant resources to supporting the private sector to understand their TFS obligations, risks of sanctions evasion and practical measures to enhance the implementation of TFS. Authorities have also conducted significant levels of outreach and monitoring and oversight to support the NPO sector and to mitigate potential TF risks. Authorities have implemented a graded range of obligations and support to NPO sectors, depending on the TF risks.

270. Chinese Taipei has a substantial level for effectiveness for Immediate Outcome 10.

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Immediate Outcome 11 (PF financial sanctions)

271. The Counter-Terrorism Financing Act was promulgated on 27 July 2016 and was amended with effect from 7 November 2018. The legal framework to prevent proliferation of WMD covers not only UN resolutions but also provides for elements of a PF offence, related STR reporting obligations and for Chinese Taipei to implement a domestic listing mechanism and related TFS. However there are some technical gaps remaining, especially the scope of funds to be frozen being held by those acting on designated persons' and entities' behalf or at their direction.

272. Chinese Taipei authorities have taken steps to understand the context of their exposure to possible sanctions evasion in relation to Rec 7. Trade conducted between Chinese Taipei and Iran has accounted for a very small amount compared to the overall amount of Chinese Taipei's total trade and trade with the DPRK is negligible since 2018. The management of trade in goods falls under the authority of the Bureau of Foreign Trade (BOFT) under the MOEA.

Implementation of targeted financial sanctions related to proliferation financing without delay

273. The MOJ-led mechanism implementing TFS against WMD proliferation is similar to that for TFS related to terrorism. It operates without delay and extends both asset freezing obligations and prohibitions to all persons and entities in Chinese Taipei. Individuals, legal persons, or entities designated by the relevant UNSCRs and any successor resolution on the prevention of proliferation of WMD referred to the UN (DPRK and Iran) regulations, and prohibitions including freezing-measures go into effect without delay upon designation by the UN. The process for converting UN listings into binding domestic designations occurs within 24 hours. The list is then published on the website of domestic authorities which brings it into effect immediately. The competent authority (MOJ/MJIB) has dedicated personnel who check the UN sanction lists of related UNSC resolutions daily, to ensure that their sanctions lists are up-to-date. Any updates are reported by MJIB through official letters. MOJ usually publishes related resolutions and sanction list in the dedicated AML/CFT section of the MOJ's official website within 24 hours, i.e. on the same day as MOJ receives the official letters.

Case Example 4.3: Implementation of new UN designations without delay resulting in asset freezing actions

On 30 March 2018 the UN Security Council designated one individual and 21 companies pursuant to UNSCR 1718. MJIB identified that the list of additional individual and legal persons included the offshore company Pro-Gain Group Corporation (place of registration: Samoa) and Kingly Won International Co., Ltd. (place of registration: Marshall Islands) that were wholly owned by Chinese Taipei local Tsang Yung-Yuan. The MJIB also discovered that Mr. Tsang Yung-Yuan had allegedly assisted North Korea in obtaining coal and crude oil illegally. The process of giving domestic effect to the new UN listings was done within 6 hours. The MOJ also issued official letters to competent authorities of FIs and DNFBPs and published a press release on the official website of the MOJ to urge implementation of TFS.

After publishing the sanction lists, FIs reported frozen assets of sanctioned persons and entities resulting in approximately 30 freezing actions with an estimated value of approximately USD 1.08 million.

274. The competent authority, regulators and LEAs utilize a range of communication channels to ensure all relevant persons and entities are aware of their TFS obligations, any updates to the lists, and possible threats of PF sanctions evasion. Mechanisms used include email subscription notifications from MJIB, subscription to MOJ RSS feeds, government letters to relevant agencies, publications, and briefings to media to ensure news coverage, and informal communication through social media. Chinese Taipei demonstrated comprehensive use of these mechanisms to help to ensure FIs and DNFBPs and other relevant parties are aware of PF threats, updated lists and conduct proper screening of the designated persons. As at the time of the onsite visit, there were approximately 500 subscribers to AMLD's TFS notification service. Moreover, most of the private sector uses the TDCC web portal for screening their customers against sanction lists.

275. At the time of the onsite in November 2018, relevant agencies did not report any inquiries from FIs or DNFBPs regarding possible false positives to potential designated persons or entities. Authorities indicated that this reflects the detailed information made available on the subjects of designations.

Identification of assets and funds held by designated persons/entities and prohibitions

Table 4.4: Assets frozen related to WMD proliferation TFS 2018

Freezing actions	Banks	Other FIs	DNFBP	Others	Total
Freezing actions	35	43	0	3	81
Individuals whose assets were frozen	2	2	0	1	5
Entities whose assets were frozen	5	1	0	0	6
Frozen assets value (USD equiv.)	1,521,752	2,446,014	0	*46	3,967,766

** Restrictions on real estate transactions*

276. While STRs related to possible PF matters had been filed since 2016, matches with designated persons and entities and associated asset freezing have all taken place in 2018. This reflects changes to the UN lists and domestic designations in early 2018 to include a number of persons and entities in or connected to Chinese Taipei. As of the time of the onsite visit, various assets (deposits, securities, credit cards, check deposits, and insurance policies) amounting to approximately USD 3,719,781 had been frozen. It is notable that assets have been frozen related to persons and entities controlled by the designated person.

277. Chinese Taipei has gone beyond the requirement under Rec. 7 to designate Chinese Taipei local Chen Shih-Hsien and related legal persons on the basis of their connection to PF.

Case Example 4.4: Freezing funds associated with oil transfers to UN designated entities

NSB, MOFA and MJIB received information by the end of 2017 regarding suspected trans-shipment of oil to DPRK vessels designated by the UN. The information showed Chen Shih-Hsien and associated legal persons under his control (BTGC), which was registered at the British Virgin Islands, and Billions Bunker Group Corporation (BBGC), registered at the Republic of the Marshall Islands. Both were connected to the evasion of the TFS against entities listed pursuant to UNSCR 1718.

The MOJ held multiple interdepartmental meetings with NSB, OHS, MOFA, MOEA, MOI, MOTC, FSC, and other relevant agencies in early January 2018 to share information and discuss countermeasures for Chen Shih-Hsien and others' suspected violation of UNSCRs.

In January 2018 the Minister of Justice convened the TFRC (in accordance with the CTF Act and the Regulations) with the heads of seven major ministries/commissions as committee members to review and reach a decision. The TFRC resolved to designate Chen Shih-Hsien, BTGC, BBGC, Oceanic Enterprise

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Co. Ltd. and UMC Corporation Peru S.A.C.

After publishing the designations, FIs reported related frozen assets of sanctioned targets. Approximately 60 discrete assets in total included deposits, securities, credit cards, check deposits, and insurance policies, with an estimated value of NT\$90,150,870 (approximately USD2.88 million).

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278. The CTF Act was amended in November 2018 to partly address gaps in the freezing obligation (especially in relation to property indirectly owned or controlled by designated persons / entities), however some gaps remain. The freezing obligation applies to assets wholly or jointly owned or controlled, directly or indirectly, but not clearly to property derived from such property of designated persons. The gap in the freezing obligation is only for funds or other assets of persons and entities acting on behalf of or at the direction of designated persons and entities, in cases where those funds are not also the property or property interests of the designated person or entity.

279. Chinese Taipei has used the domestic designation mechanism and related freezing actions to cover persons and entities acting on behalf of the principal designee. In the case of the designation of Chen Shih-Hsien highlighted above, MOJ designated a number of entities owned or controlled by or acting on behalf of Chen Shih-Hsien, which has served to overcome some elements of gap with the scope of coverage of TFS. Authorities also indicate that the criminal offence in section 9(1) of the CTFA (criminalisation of directly or indirectly collecting or providing any property or property interests for another natural or legal person in the knowledge that they are a designated person or entity) could be used to take action against the funds of persons acting on behalf of or at the direction of designated persons or entities, but this has not been tested in practice.

280. In cases where FIs do not have sufficient evidence to freeze funds under TFS, they have filed a STRs related to possible PF, which is done under the complementary controls that Chinese Taipei has taken to include PF-related STR reporting obligations on all FIs/DNFBPs. The numbers of STRs were particularly high following the domestic designation of a Chinese Taipei resident in early 2018.

Table 4.5: STR statistics related to PF

	2016	2017	*2018	Total
PF related STRs	5	27	261	293
Reports distribution to investigative authorities	1	7	161	169
Reports disseminated to foreign FIUs	0	5	3	8
Cases closed due to insufficient information	4	15	86	105

** Jan to Jun, 2018*

281. Relevant agencies demonstrated a focus on financial investigations in response to freezing actions in an effort to uncover possible networks involved in PF or related sanctions evasion. Chinese Taipei authorities have used cases of asset freezing and analysis of PF-related STRs (293 since 2016) to progress investigation and prevention actions to address WMD proliferation and PF vulnerabilities in real time. This reflects an integration of CPF controls and activities with broader efforts to combat WMD proliferation by assisting the authorities to identify possible networks of people working on behalf of or at the direction of designated persons and entities.

282. Access to frozen funds for basic expenses has been granted in keeping with the standards. MOJ, as the competent authority may set restrictions on access to frozen funds and MOJ has issued restrictions and publicly available procedures in relation to PF-related TFS.

FIs and DNFBBPs' understanding of and compliance with obligations

283. A large number of outreach and awareness raising sessions have been undertaken for instructing FIs and DNFBBPs to implementation of TFS against PF. Guidance has been issued, which adds to effectiveness implementation.

284. Authorities and sectoral associations have provided FIs and DNFBBPs with a range of studies and resources to assist TFS implementation, by adding to their understanding of the context of WMD-related TFS and possible sanctions evasion trends. From January 2018 FSC shared various resource materials on PF risks with the private sector (through the Bankers Association) including UN Panel reports on DPRK (UNSCR 1874 expert group report, February 2017); U.S. Fin CEN report November 2, 2017; "Countering Proliferation Finance: An Introductory Guide for FIs" compiled by the Royal United Services Institute (RUSI); and "Study of Typologies of Financing of WMD Proliferation", King's College London. In addition, FSC issued a number of letters and held of seminars and workshops with various sectors.

285. FSC has developed a FAQs for banks, securities and insurance on TFS implementation for TF/PF, which recommends FIs regularly check the MJIB website frequently and be aware of frequent and spontaneous updates to its sanctions list.

286. The Model Guideline for DNFBBP sectors urge DNFBBPs to have measures to monitor whether any property in their possession/control is owned/controlled by or on behalf of UN or domestically sanctioned persons or entities. The guideline also advises DNFBBPs to visit MJIB's website to obtain the list of persons and entities subject to TFS.

287. Based on COA instructions, the ABT has established an AML/CFT System for ABT and Credit Departments of Farmers' and Fishermen's Associations. The system has incorporated name checking modules to help to implement TFS. The system is updated to reflect changes to UN listings.

288. FIs and DNFBBPs appear well aware of the TFS in place against Iran and the DPRK. Some FIs have developed in-house databases, derived from the MOJ's sanctions lists as well as commercial databases. Authorities have helped to ensure good support for transaction and customer checking amongst FIs/DNFBBPs by making TDCC screening software for TFS sanctions at subsidised rates helps to ensure that even small business DNFBBPs have access to comprehensive sanctions screening software. Not all DNFBBP use the TDCC, but the coverage is wide and increasing. Usage data of the TDCC system is reviewed and authorities continue to encourage uptake of such systems.

289. Name checks are performed on customers and related parties, when a customer tries to establish a business relationship or conduct a transaction. Additionally, FIs conduct regular batch checks on their customers whenever their databases are updated. Banks' screening appears to go beyond UN lists to include OFAC and other national lists. There are several cases demonstrated by banks representatives where they have identified assets on the OFAC lists and have filed STRs which led to financial investigations.

290. In addition to name screening, most FIs utilized CDD measures and transaction monitoring to prevent and identify possible PF-related transactions, especially in their trade finance areas. Information on trade controls also assists FIs to detect suspicious transaction related to possible PF sanctions evasion.

291. FIs and DNFBBPs face challenges with establishing associations with designated persons and entities in the absence of name matches. FSC has directed banks to the vulnerabilities for sanctions evasion, especially in trading with Chinese companies and/or their intermediaries. Additional focus is

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need by FIs on sanctions evasion vulnerabilities through entities associated with designated persons, including obtaining sufficient information about such associations.

292. Chinese Taipei demonstrated a robust information-sharing mechanism among relevant authorities in charge of export control. The BOFT oversees export control matters and implementation of proliferation-related UNSCRs. The MJIB is the lead LEA responsible for investigating proliferation and PF cases. Its investigations may be initiated by their own sources, or from advice provided by the NSB. The BOFT, CA, NSB and MJIB are closely connected in sharing information to detect possible cases of illegal exports of strategic high-tech commodities (SHTC) and violations of UNSCRs.

293. Supervision of FIs' compliance with the Chinese Taipei sanctions regime is undertaken by the FSC and other supervisors. FSC has performed regular and ad-hoc onsite inspections to test implementation of PF-related TFS, understanding of obligations for asset freezing and reporting, sanctions. Screening policies and procedures for individuals and entities are tested during onsite examination. FSC has conducted thematic examinations on name-screening, to ensure FIs' databases correspond with sanctions lists, and that transaction monitoring and name-screening may promptly detect designated parties. Onsite supervision includes sample testing to confirm TFS implementation. Foreign exchange counters also conduct sanctions-screening utilising the TDCC database. Their implementation of TFS is supervised by the Central Bank. There are still some gaps in the legal framework to be able impose sanctions on foreign exchange counters which fail to implement all the TFS obligations (see Rec.7). Even though there are sanctions available under Article 9, the imprisonment or fines that can be imposed only with proof of that person or entity have intention to finance provide funds to a designated person or entity, gaps remain.

294. DNFBPs were only recently included in Chinese Taipei's AML framework and obligations regarding TFS on PF. Relevant authorities are continuing to raise awareness regarding their obligations. Many DNFBPs conduct sanctions screening through the TDCC database.

Overall conclusions on Immediate Outcome 11

295. The legal framework for PF-related TFS is being implemented without delay, however there are some technical compliance gaps with Rec 7. At the same time, the legal framework for TFS goes beyond FATF standards by including a PF offence and related STR reporting obligations as well as establishing a domestic designation system to complement the obligations under Rec. 7. Chinese Taipei has implemented TFS without delay to freeze significant assets related to a UN designation person and a number of UN designated entities. Chinese Taipei has also used its domestic designation framework to designate certain natural and legal persons working on behalf of or at the direction of the principal designee, which goes some way to overcome the technical compliance gap. TFS related to DPRK have resulted in over USD 3.96 million being frozen or seized, including assets indirectly owned or controlled. FIs have filed numerous PF-related STRs which have assisted LEAs to investigate possible networks associated with designated persons and entities. Authorities have undertaken efforts to raise awareness on PF-related TFS. FSC and other supervisors have commenced supervision of PF-related TFS amongst FIs to further ensure TFS implementation is occurring without delay.

296. **Chinese Taipei has a Substantial level of effectiveness on Immediate Outcome 11.**