

JAFIC Annual Report 2008

JAFIC: Japan Financial Intelligence Center



Introduction

By the enactment of “The Act on Prevention of Transfer of Criminal Proceeds” in April 1, 2007, the Financial Intelligence Unit (FIU) in charge of the collection, arrangement, analysis, provision, and dissemination of suspicious transaction reports, has been transferred from the Financial Services Agency to the National Public Safety Commission / National Police Agency. And, by the total enforcement of this law on March 1, 2008, the range of specified business operators which should verify identification data of a customer has greatly expanded from financial institutions such as banks, etc., to also include non-financial business and professions, such as finance leasing operators, credit card operators, the real estate transaction business operator, and legal professions and accountants, such as judicial scriveners, certified public accountants.

National Police Agency established Japan Financial Intelligence Center (JAFIC) within Organized Crime Department, Criminal Investigation Bureau at the same time as the enforcement of this law, in order to assist (FIU, formally known as) the National Public Safety Commission. The Task Force specializing in investigation of money laundering has also been established in the Prefectural Police, in order to further eliminate criminal proceeds, and crackdown on illegal fund acquisition activities undertaken by antisocial forces.

Although the total enforcement of this law further advances countermeasures against money laundering in Japan, for the effective implementation of such money laundering countermeasures by the police, the understanding and cooperation in this matter by specified business operators, competent administrative authorities, and national citizens is essential.

Currently, various efforts to eliminate antisocial forces at specified business operators, such as financial institutions and securities industries, have been conducted. The number of reports of suspicious transactions has exceeded 230,000 cases in 2008, approximately 150% of the number of reports in 2007.

Moreover, seminars for specified business operators are held by competent administrative authorities overseeing such specified business operators, as anti-money laundering measures by the cooperation of the government and public.

This year, JAFIC again presents its annual report for the many people in various fields who are involved in anti-money laundering measures, in order to understand 1) the background and need for anti-money laundering measures, 2) the outline of the Act on Prevention of Transfer of Criminal Proceeds, 3) how information regarding suspicious transactions is used, and 4) international cooperation of anti-money laundering measures.

It is our sincere hope that this annual report, can be of some help to understand anti-money laundering measures for many people who get involved in these AML measures directly or indirectly.

Table of Contents

Chapter1	History of Anti-Money Laundering Measures	1
Section1	Anti-Money Laundering Measures in International Society	1
1	Anti-Money Laundering Measures as International Countermeasures against Narcotic Drugs	1
2	Anti-Money Laundering Measures as Countermeasures against International Organized Crime and Terrorism	1
3	Countermeasures to Sophistication of Modus Operandi of Money Laundering	2
Section2	Anti-Money Laundering Measures in Japan	2
1	Enforcement of "the Anti-Drug Special Provisions Law"	2
2	Enforcement of the Act on the Punishment of Organized Crime	2
3	Enforcement of "the Act on the Punishment of Financing of Offenses of Public Intimidation" and "Customer Identification Act", and the Revision of "Act on the Punishment of Organized Crime"	3
4	Enforcement of "the Act on Prevention of Transfer of Criminal Proceeds"	3
Chapter2	Legal Systems of Countermeasures against Money Laundering	5
Section1	Outline of the Anti-Drug Special Provisions Law and Act on the Punishment of Organized Crime	6
1	Anti-Drug Special Provisions Law	6
(1)	Punishment of money laundering	6
(2)	Confiscation, collection of equivalent value and securance measures (Article 11 through 13, 19, 20)	6
2	Act on the Punishment of Organized Crime	7
(1)	Punishment of money laundering (Article 9 through 11)	7
(2)	Confiscation, collection of equivalent value and securance measures (Article 13 through 16, 22, 23, 42, 43)	7
Section2	Outline of the Act on Prevention of Transfer of Criminal Proceeds	7
1	Purpose of the Act (Article 1)	7
2	Criminal Proceeds (Paragraph 1 of Article 2)	8
3	Specified Business Operators (Paragraph 2 of Article 2)	8
4	Responsibilities of the National Public Safety Commission and FIU (Article 3)	8
5	Measures by Specified Business Operators	9
6	Dissemination of Information on Suspicious Transactions (Article 11 and 12)	12
7	Supervisory Measures (Article 13 through 17, 23, 24, 27)	12
8	Penal Provisions regarding Reception/Delivery/Provision of Deposit/Savings Passbooks, etc. (Article 26)	12
9	Enforcement	12
Chapter3	Establishment of JAFIC and Police Activities	14
Section1	Background	14
Section2	Mission and Structure	15
Section3	JAFIC and Partners	16
Section4	Countermeasures against Criminal Proceeds by the Police	17
Section5	Cooperation with Business Operators and the Public	19
Paragraph1	Explanation and Provision of Information, etc., on Seminars Targeting Specified Business Operators	19
1	Explanation of Seminars targeting Financial Institutions	19
2	Explanation of Seminars for Currency exchanging Operators	19
3	Public Service Announcement in Cooperation with Mass Media and PR Activities Using Poster/Leaflets	19
4	PR on Website	20
Paragraph2	Provision of Information for Specified Business Operators following the U.N. Security Council Resolution	21
Paragraph3	Efforts of Specified Business Operators	21
1	Efforts of Banking Industry	21
2	Efforts of Securities Industry	21
3	Efforts of Real Estate Industry	21
4	Efforts of Lawyers Associations	22
Section 6	Measures to Ensure the Effectiveness of the "Act on Prevention of Transfer of Criminal Proceeds"	22

Chapter4	Reports of Suspicious Transactions	23
Section1	Outline of the Suspicious Transaction Report System	23
1	Purpose	23
2	Cases in which Reporting is Required	23
3	Announcement of List of Reference Cases of Suspicious Transactions	23
4	Flow of Suspicious Transactions Reporting	23
5	Information Security Measures	24
Section2	Situation of Suspicious Transactions Reports	25
1	The change in the number of reported cases	25
2	Number of Reports by Business Types	27
3	Number of Reports by Branch Locations of specified business operators	27
Section3	Use of Suspicious Transaction Reports	29
Paragraph1	Dissemination to Investigative Authorities	29
Paragraph2	Outlook of How STRs are Used	29
Chapter5	Promotion of International Cooperation	31
Section1	Need for International Cooperation on AML/CFT Measures	31
Section2	Activities of International Institutions and Japan's Participation	31
Paragraph1	FATF	31
1	FATF	31
2	Activities of FATF	32
3	Participation of JAFIC in FATF	32
Paragraph2	APG	33
1	APG	33
2	Activities of APG	33
3	Participation of JAFIC in APG	33
Paragraph3	Egmont Group	33
1	Egmont Group	33
2	The Main Plenary Meeting of the Egmont Group	34
3	Participation of JAFIC in the Egmont Group	34
Section3	Information Exchange with Foreign FIUs	35
Paragraph1	Establishment of the Framework for Exchange of Information	35
Paragraph2	Status of Information Exchange with Foreign FIUs	35
Section4	FATF Mutual Evaluation of Japan	37
Paragraph1	Implementation of the Third FATF Mutual Evaluation of Japan	37
Paragraph2	Outline of the Results	37
Paragraph3	Plans for the Future Schedule	37
Chapter6	Money Laundering Trends	39
Section1	Cases Cleared for Money Laundering Offences	39
Paragraph1	Cases Cleared for Money Laundering Offences under the Act on the Punishment of Organized Crime	39
1	The number of Cases Cleared	39
2	Modus Operandi of Money Laundering observed in Cleared Cases	40
3	Money Laundering by Members of the Boryokudan, etc.	42
4	Money Laundering committed by Foreign Visitors to Japan	44
Paragraph2	Outline of Cases Cleared for Money Laundering Offences under the Anti-Drug Special Provisions Law	45
Section2	Deprivation of Criminal Proceeds	46
Paragraph1	Confiscation and Collection under the Act on the Punishment of Organized Crime	46
1	Application for Provisions of Confiscation and Collection	46
2	Pre-indictment Confiscation Securance of Criminal Proceeds, etc.	46
Paragraph2	Confiscation and Collection under the Anti-Drug Special Provisions Law	49
1	Application for Provisions of Confiscation and Collection	49
2	Pre-indictment Confiscation Securance Order of Drug Proceeds	49

Chapter 1

History of Anti-Money Laundering Measures

The term "money laundering" has gradually been recognized by the public in Japan through the arrest of criminals. Hiding the source or attribution of criminal proceeds is a highly covert activity, which is extremely difficult to detect.

The international society has been enhancing and developing systems to prevent and detect money laundering, as well as cooperating with each other to deal with this issue. Japan is also reinforcing anti-money laundering measures in line with international initiatives.

Various activities centered on the police described in this report have also delivered positive results through such international cooperation.

Section 1 Anti-Money Laundering Measures in International Society

1 Anti-Money Laundering Measures as International Countermeasures against Narcotic Drugs

In the 1980s, the global spread of narcotics abuse was taken as a crisis in the international society. One of the main causes was the existence of transnational drug-trafficking organizations linking production of narcotics to the consumption of them. It was recognized important to inflict damage on the source of their funds, by all measures, such as by confiscating illegal proceeds from drug manufacturing and trafficking and effectively preventing their money laundering activities. In this context, "the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances" (hereinafter referred to as "UN New Narcotics Convention") was adopted in December 1988 and required each state to criminalize activities such as hiding drug crime proceeds and establish relevant regulations to confiscate such proceeds, which made clear an internationally consistent effort. In addition, at the Arch Summit of July 1989, the major developed countries decided to establish the FATF (Financial Action Task Force on Money Laundering) to take concerted actions for anti-money laundering. In April 1990, urged by the need for standardizing measures in different countries, the FATF laid out standards in "The 40 Recommendations", to be applied in the fields of law enforcement, criminal justice, and the financial system. "The 40 Recommendations" required early ratification of "the UN New Narcotics Convention", development of domestic laws stipulating anti-money laundering measures, and establishment of measures such as obligations to conduct customer identification and the report of suspicious transactions by financial institutions.

2 Anti-Money Laundering Measures as Countermeasures against International Organized Crime and Terrorism

In the 1990s, the international expansion of organized crime was recognized as a phenomenon which could threaten each country's security, and therefore an international convention against international organized crimes was considered mainly by the United Nations. At the Halifax Summit in June 1995, it was pointed out that effective measures to prevent the hiding of proceeds not only from drug-trafficking but also from serious crimes were necessary for successful countermeasures against transnational organized crimes. In accordance with these movements, the FATF revised, in June 1996, a part of "The

40 Recommendations," and recommended that the scope of predicate offences (criminal activities generate proceeds which is subject of punishment for money laundering) be extended from drug crimes to serious crimes.

Further, at the Birmingham Summit in March 1998, it was agreed by the participating countries to create FIUs (Financial Intelligence Units), which are dedicated to collect, analyze and disseminate money laundering information, as a measure to use the suspicious transaction reports for criminal investigation effectively.

Later, in response to the terrorist attacks in the US in September 2001, the FATF held an emergency session, where it issued "The 8 Special Recommendations" including criminalizing terrorist financing and freezing terrorist assets considering it necessary to include anti-terrorist financing measures within the scope of anti-money laundering measures. In 2004, a new recommendation related to the measure to prevent the physical cross-border transportation of funds was added to these recommendations, which made them "The 9 Special Recommendations".

3 Countermeasures to Sophistication of Modus Operandi of Money Laundering

In accordance with development of anti-money laundering measures, the trend of money laundering itself has been changing. The FATF put the highest emphasis in its consideration on the hiding of funds using business sectors other than financial institutions. As a result, the FATF revised again in June 2003 "The 40 Recommendations" by extending the scope of operators required to take measures including customer identification, etc. The FATF has been studying new methods of money laundering engineered in various countries and regions in the world since then, such as money laundering using new payment systems, alternative remittance systems, trade-based money laundering, etc. and providing multiple advice on measures through publishing reports and other methods.

Section2 Anti-Money Laundering Measures in Japan

1 Enforcement of "the Anti-Drug Special Provisions Law"

Anti- money laundering measures in Japan have been developed step by step in accordance with initiatives of the international society. Firstly, " Law concerning Special Provisions for the Narcotics and Psycho tropics Control Law, etc. and Other Matters for the Prevention of Activities Encouraging Illicit Conduct and Other Activities Involving Controlled Substances through International Cooperation" (hereinafter referred to as "the Anti-Drug Special Provisions Law") was enforced in 1992 as one of the domestic laws implementing " UN New Narcotics Convention", aiming mainly at dealing with drug crime proceeds. This law criminalized money laundering activities connected with drug crimes for the first time in Japan and established the suspicious transaction reporting system (regarding drug crime proceeds) by financial institutions, etc. in response to "the FATF 40 Recommendations."

2 Enforcement of the Act on the Punishment of Organized Crime

The FATF mutual evaluation of Japan in 1994 pointed out a negative view on the limit of predicate offences of money laundering to illegal drug crimes. It was difficult for financial institutions, etc. to determine if each transaction was actually related to drug crimes in reporting suspicious transaction, resulting in the fact that the suspicious transaction reporting system did not work effectively. For improvement of these disadvantages, the "Act on the Punishment of Organized Crimes, Control of Crime Proceeds and Other Matters" (hereinafter referred to as "Act on the Punishment of Organized Crime") was adopted (enforced in Feb. 2000) in Japan based on the FATF recommendations as revised in June 1996. This law represented progress in regulations against criminal proceeds on several points.

One such progress is that the scope of predicate offences for money laundering was expanded and the other is that the object of suspicious transaction reports was expanded from illegal drug crimes to include other serious crimes. In addition, the law designated the Financial Supervisory Agency (later, the Financial Services Agency) as the FIU of Japan, where money laundering information shall be collected, arranged and analyzed to be disseminated to investigative authorities, etc.

3 Enforcement of "the Act on the Punishment of Financing of Offences of Public Intimidation" and "Customer Identification Act", and the Revision of "Act on the Punishment of Organized Crime"

As a major development after the terrorist attacks in US, "Act on the Punishment of Financing of Offences of Public Intimidation" was adopted (enforced in July 2002) as a domestic law to implement "the International Convention for the Suppression of the Financing of Terrorism". At the same time as the adoption of "Act on the Punishment of Financing Offences of Public Intimidation", the "Act on the Punishment of Organized Crime" was partly revised, so that the terrorist financing offence was included into predicate offences. Moreover, terrorist funds were stipulated as criminal proceeds, and financial institution, etc. shall report suspicious transactions pertaining to assets suspected of terrorist financing. Also, to implement the customer identification regime required under the said Convention and the FATF recommendations, "the Law on Customer Identification by Financial Institutions, etc." (hereinafter referred to as "Customer Identification Act") was adopted (enforced in Jan. 2003). Because of frequent abuse of bank accounts under other, or fictitious names for offences such "Furicome" Fraud, the Law on Customer Identification by Financial Institutions, etc. was revised in Dec. 2004 as "Act on Confirmation of Customers Identification by Financial Institution, etc and Prevention of Unauthorized Use of Deposit Account, etc." that provides sanctions to selling and buying of passbooks, etc. its canvass, or the like.

4 Enforcement of "the Act on Prevention of Transfer of Criminal Proceeds"

Based on the fact that the FATF re-revised "The 40 Recommendations" in 2003 to extend the scope of business operators required to implement customer identification, etc. to operators other than financial institutions, "the Headquarters for Promotion of Measures Against Transnational Organized Crime and International Terrorism", with the Chief Cabinet Secretary as head thereof, publicized "the Action Plan for Prevention of Terrorism" including the implementation of the re-revised Recommendations in December 2004. In November 2005, "the Headquarters for the Promotion of Measures Against Transnational Organized Crime and International Terrorism" decided that the National Police Agency would make a draft of law for implementation of the re-revised Recommendations and that the FIU would be transferred from the Financial Services Agency to the National Public Safety Commission / the National Police Agency.

The National Police Agency drafted a bill in cooperation with relevant ministries and agencies and submitted it to the 166th National Diet session in February 2007. "The Act on Prevention of Transfer of Criminal Proceeds" was then adopted in March of that year. A part of the law, stipulating the transfer of the FIU, etc. was enforced in April of the same year, while the remaining part of the law, e.g. the extension of the scope of business operators, was enforced on March 1, 2008.

History of Anti-Money Laundering Measures

Global Events	Events in Japan
<p>December 1988 Adoption of "UN New Narcotics Convention" (Criminalization of money laundering activities related to illegal proceeds derived from drug crimes.)</p>	
<p>July 1989 Arch Summit (Establishment of the FATF (Financial Action Task Force on Money Laundering))</p>	
<p>April 1990 FATF issued "the 40 Recommendations" - Customer identification by financial institutions - Reporting of suspicious transactions to financial regulatory authorities</p>	<p>June 1990 Notices issued on the requirement of customer identification, etc. (by the Director-General of the Banking Bureau, Ministry of Finance and others)</p>
<p>June 1996 FATF revised "the 40 Recommendations" - Extending the scope of predicate offences to serious crimes became compulsory.</p>	<p>July 1992 Enforcement of "the Anti-Drug Special Provisions Law" (Creation of the "Suspicious transaction report" system relating to drug crimes)</p>
<p>May 1998 Birmingham Summit (Agreement on establishment of FIU)</p>	<p>February 2000 Enforcement of "Act on the Punishment of Organized Crime" (Extension of the scope of predicate offences to certain serious crimes, establishment of the Japan FIU, etc.)</p>
<p>September 2001 Terrorist attacks in the US</p>	
<p>October 2001 FATF issued "Special Recommendations on terrorist financing" - Criminalization of terrorist financing, Reporting of suspicious transactions related to terrorism.</p>	<p>July 2002 With the enforcement of "the Act on Punishment of Financing to Offences of Public Intimidation" and "the revised Act on the Punishment of Organized Crime", terrorist financing offence was added to predicate offences.</p>
<p>June 2003 FATF re-revised "the 40 Recommendations" - Application of recommendations to non-financial businesses (building lots and building transaction business, dealers in precious metals, dealers in precious stones, etc.) and professionals (lawyers, accountants, etc.)</p>	<p>January 2003 Enforcement of "the Customer Identification Act" (Obligation of identification of customers, etc. by financial institutions, etc. is legislated.)</p>
	<p>December 2004 "The Headquarters for Promotion of Measures Against Transnational Organized Crime and International Terrorism" created the "Action Plan for Prevention of Terrorism".</p>
	<p>November 2005 "The Headquarters for Promotion of Measures Against Transnational Organized Crime and International Terrorism" decided on "the Development of laws for implementation of the FATF recommendations"</p>
	<p>March 2007 Adoption of "the Act on Prevention of Transfer of Criminal Proceeds"</p>
	<p>April 2007 Transfer of the FIU (from the Financial Services Agency to the National Public Safety Commission / the National Police Agency)</p>
	<p>March 2008 Enforcement of the application of customer identification obligation, etc. to non-financial business operators, etc.</p>

Chapter 2

Legal Systems of Countermeasures against Money Laundering

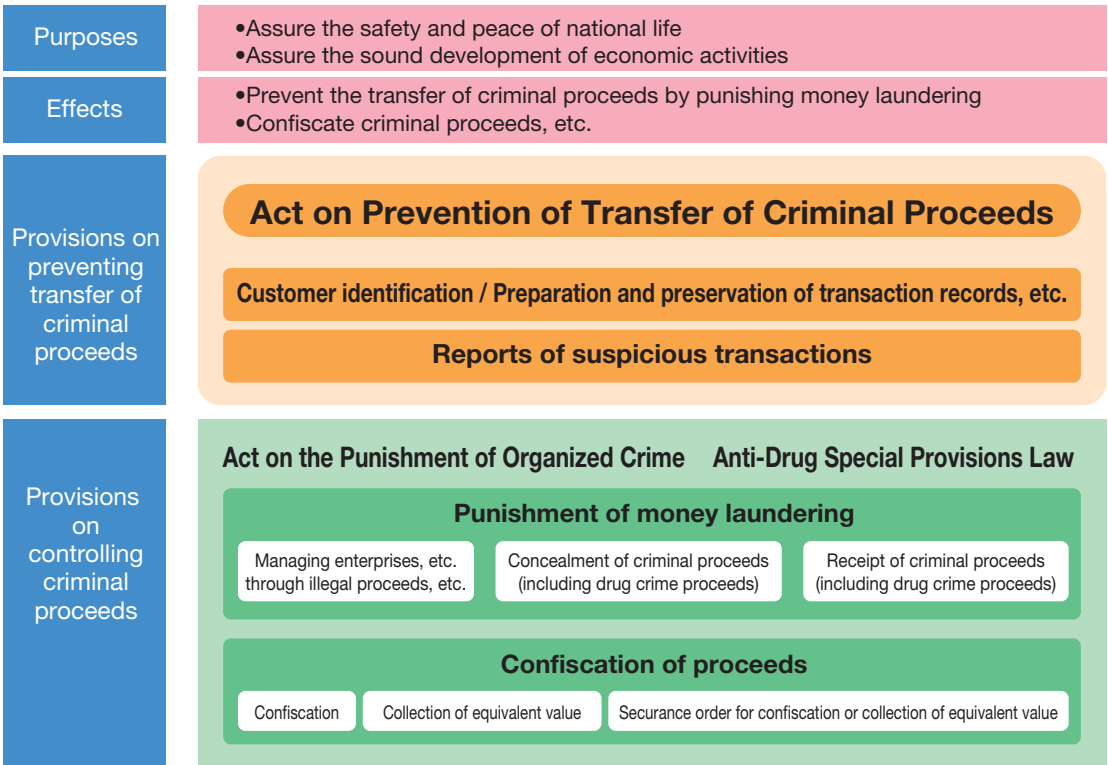
As described in the preceding chapter, legal systems on money laundering both in Japan and foreign countries have realized a gradual development since the 1980s and generally contain the following three elements:

- (1) Criminalization of money laundering
- (2) Confiscation of criminal proceeds
- (3) Obligation of a certain range of business operators to take preventative measures such as, customer due diligence.

Among these standards, (1) and (2) are aimed at the direct effects of weakening, in particular, the financial foundations of criminal organizations to target assets generated through crimes, while (3) is aimed at preventing money laundering itself by making it easier to trace the transfer of illegal funds and making it more difficult to avoid prosecution and confiscation.

In Japan the standards (1) and (2) above are realized mainly by the Anti-Drug Special Provisions Law and Act on the Punishment of Organized Crime, and the standard (3) is realized by the Act on Prevention of Transfer of Criminal Proceeds.

Figure2-1 Relationships of the Act on Prevention of Transfer of Criminal Proceeds, Act on the Punishment of Organized Crime, and the Anti-Drug Special Provisions Law



Section 1 Outline of the Anti-Drug Special Provisions Law and Act on the Punishment of Organized Crime

1 Anti-Drug Special Provisions Law

As described in Chapter 1, the Anti-Drug Special Provisions Law was enacted for the purpose of blocking cycles of illegal proceeds derived from drug crimes, directly triggered by the UN New Narcotics Convention adopted in 1988 and the FATF "40 Recommendations" issued in 1990, and enforced on July 1, 1992. This law contains two items with regard to measures against drug crime proceeds as below.

The Anti-Drug Special Provisions Law included, at the time of enactment, provisions on reports of suspicious transactions, which have been taken over to the Act on Prevention of Transfer of Criminal Proceeds through the Act on the Punishment of Organized Crime.

(1) Punishment of money laundering

The Anti-Drug Special Provisions Law defines the act of money laundering as a new crime in that it has such aspects as encouraging further (drug) crimes.

a. Concealment of drug crime proceeds, etc. (Article 6)

The following acts are criminalized by this article: (i) Act of "disguising facts with respect to acquisition or disposition of drug crime proceeds, etc." (ii) Act of "concealing drug crime proceeds, etc." and (iii) Act of "disguising facts with respect to the source of drug crime proceeds, etc."

Examples of the act (i), "Act of disguising facts with respect to acquisition" is the act of depositing drug crime proceeds, etc. under the name of a third party, the act of manipulating the books by pretending profits were gained by legitimate business activities, or the like.

An example of the act (i), "Act of disguising facts with respect to disposition" is the act of purchasing goods under the name of a third party, using drug crime proceeds, etc., or the like. Examples of the act (ii), "concealing" is actions such as physically concealing and sending money to a country or region where it is considerably difficult to trace the funds, or the like.

An example of the act (iii), "Act of disguising facts with respect to the source" is the drug-purchaser's act of pretending the payment for purchase is a repayment of a fictitious debt.

b. Crime of receipt of drug crime proceeds, etc. (Article 7)

The act of "knowingly receiving drug crime proceeds, etc." is criminalized by this article.

For example, an act in which a main member of Boryokudan group receives money as part of a protection racket, knowing that the money has been obtained from drug crime.

(2) Confiscation, collection of equivalent value and seurance measures (Article 11 through 13, 19, 20)

Drug crime proceeds shall be confiscated. If it cannot be confiscated because, for example, it has already been consumed or the right thereof has been transferred, collection of equivalent value will be ordered. The system of confiscation and collection of equivalent value provided in Anti-Drug Special Provisions Law has been strengthened compared to the existing system of confiscation and collection of equivalent value in the Penal Code in that the target is not limited to tangible property, but is extended to deposit claims, etc. and that confiscation and collection of equivalent value are compulsory. Moreover, it can be prohibited by court order to dispose of drug crime proceeds which should be confiscated prior to court decision in order to ensure the confiscation of the proceeds. As the risk of disposal by a criminal will be raised if he/she knows of the commencement of investigation, the court can issue a seurance order even before the prosecution upon request of a police officer, etc. with a fixed period of 30 days, which could be renewable.

2 Act on the Punishment of Organized Crime

As described in Chapter 1, Act on the Punishment of Organized Crime was enacted based on the extension of predicate offences in the revised FATF "40 Recommendations" and the international agreement on the establishment of an FIU, and was enforced in February 2000. In terms of criminal proceeds regulations, this law is characterized by the extension of the scope of predicate offences from drug crimes stipulated in the Anti-Drug Special Provisions Law to certain serious crimes.

(1) Punishment of money laundering (Article 9 through 11)

According to the Act on the Punishment of Organized Crime, in addition to acts of disguising, concealing, and receiving stipulated in the Anti-Drug Special Provisions Law, changing a director, etc. as a means of managing an enterprise, etc. using criminal proceeds shall be punished as another type of money laundering crime. The scope of crime which generates criminal proceeds is stipulated in schedule.

(2) Confiscation, collection of equivalent value and security measures (Article 13 through 16, 22, 23,42,43)

The system of confiscation and collection of equivalent value provided in Act on the Punishment of Organized Crime is subject to the discretion of the court, unlike the system provided in the Anti-Drug Special Provisions Law. However, it has been strengthened compared to the existing system in the Penal Code in that the target is extended to monetary claims, assets obtained as the fruit of criminal proceeds are also within the scope, security measures have been established, and so on.

At the time of the enactment of Act on the Punishment of Organized Crime, it was stipulated that so-called "Crime victim property", such as proceeds obtained through fraud, etc. may not be confiscated in consideration of damage claims by victims. However, the law was partially revised (enforced in Dec. 2006) to enable confiscation in certain cases where the crime is considerably organized or it will be difficult to recover the damage by civil proceedings due to money laundering or other reasons.

Section2 Outline of the Act on Prevention of Transfer of Criminal Proceeds

As described in Chapter 1, the Act on Prevention of Transfer of Criminal Proceeds is a new act created on the basis of existing acts, i.e. the whole part of the Customer Identification Act and a part of the Act on the Punishment of Organized Crime and also in response to the revised FATF "40 Recommendations" of 2003 and sophistication of money laundering techniques. The act provides for a system to prevent transfer of criminal proceeds, including customer identification, preparation and preservation of transaction records, suspicious transaction reporting, etc. to be implemented by a certain range of business operators.

For the fundamental structure of the act, please refer to Fig. 2-3.

1 Purpose of the Act (Article 1)

The purpose of this act is to prevent the transfer of criminal proceeds and ensure the appropriate enforcement of international treaties concerning the prevention of financing terrorism, etc. and, thereby, to assure the safety and peace of national life and to contribute to the sound development of economic activities by way of devising such measures as the identification of customers, preservation of transaction records or the like, and reporting of suspicious transactions by specified business operators, coupled with other measures stipulated by the Act on the Punishment of Organized Crime and Anti-Drug Special Provisions Law.

2 Criminal Proceeds (Paragraph 1 of Article 2)

The term "criminal proceeds" as used in this Act means criminal proceeds, etc. prescribed in Article 2, paragraph 4 of the Act on the Punishment of Organized Crime or drug-related criminal proceeds, etc. prescribed in Article 2, paragraph 5 of the Anti-Drug Special Provisions Law.

3 Specified Business Operators (Paragraph 2 of Article 2)

Business operators, required to take measures like customer identification by this act, are called "Specified business operator," the scope of which is defined in line with the FATF Recommendations as well as in consideration of business practices in Japan. Financial institutions, etc. described in the table below had already been obliged to undertake identical measures by the Customer Identification Act (abolished by enforcement of Act on Prevention of Transfer of Criminal Proceeds) and other regulations.

- Financial institutions, etc. (Item 1 through 33):
Bank; Shinkin bank; Federation of Shinkin banks; Labor bank; Federation of labor banks; Credit cooperative; Federation of credit cooperatives; Agricultural cooperative; Federation of agricultural cooperatives; Fishery cooperative; Federation of fishery cooperatives; Fishery processing cooperative; Federation of fishery processing cooperatives; Norinchukin Bank; Shokochukin Bank; Development Bank of Japan; Insurance company; Foreign insurance company, etc.; Small-claims/shortterm insurance business operator; Federation of fishery cooperatives for mutual aid; Financial instruments business operator; Securities finance company; Specially permitted business notifying person; Trust company; Person who conducts declaration of trust intending to sell beneficiary rights; Real estate specified joint enterprise operator; Mutual loan company; Money lender; Call money market broker; Futures commission merchant; Book-entry transfer institution; Account management institution; electronic receivables recording organizations; Management Organization for Postal Savings and Postal Life Insurance; Currency exchanging operator
- Finance leasing operator (Item 34)
- Credit card operator (Item 35)
- Building lots and buildings transaction business operator (Item 36)
- Business operator dealing with jewelry, precious metal, etc. (Item 37)
- Business operator providing a service of receiving postal items or a service of receiving telephone call (Item 38)
- Lawyer or legal profession corporation (Item 39)
- Judicial scrivener or judicial scrivener corporation (Item 40)
- Administrative scrivener or administrative scrivener corporation (Item 41)
- Certified public accountant or audit firm (Item 42)
- Certified tax accountant or certified tax accountant corporation (Item 43)

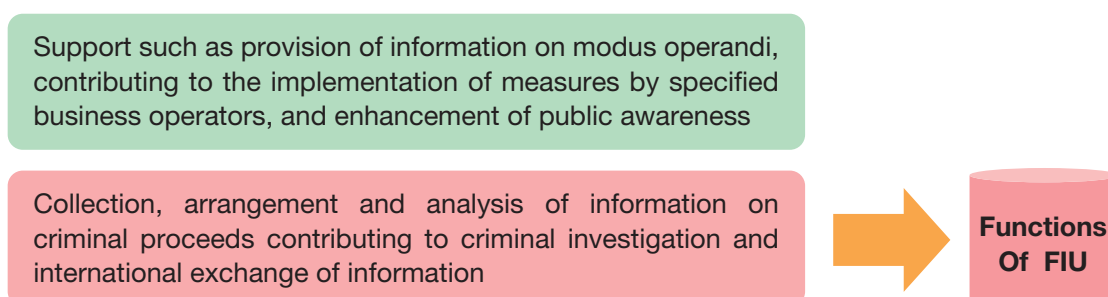
4 Responsibilities of the National Public Safety Commission and FIU (Article 3)

The Act on Prevention of Transfer of Criminal Proceeds provides that the National Public Safety Commission has responsibilities to endeavor 1) to enhance public awareness on the importance of the prevention of the transfer of criminal proceeds in order to ensure specified business operators take appropriate actions, and 2) to promptly and appropriately collect, arrange and analyze information on criminal proceeds including information on suspicious transactions reported by specified business operators so that such information can be effectively utilized in criminal investigation and related international cooperation.

Government organs that perform collection, arrangement and analysis of suspicious transaction reports and disseminate them to investigative authorities are generally called FIUs (Financial Intelligence Units). Japanese FIU used to belong to Financial Services Agency. Under the new law, National Public Safety Commission took over this function from the Financial Services Agency, in connection with the extension of the scope of specified business operators. For this purpose, the Japan Financial Intelligence Center (JAFIC) was established in the National Police Agency, in charge of police administration under the control of the National Public Safety Commission, on April 1, 2007. In May 2007, JAFIC became a member of the Egmont Group, an international framework aiming at communication between FIUs.

The outline of the structure of JAFIC will be detailed in Chapter 3.

**Figure2-2 Responsibilities of the National Public Safety Commission
(Article 3 of the Act on Prevention of Transfer of Criminal Proceeds)**



5 Measures by Specified Business Operator

By the act, specified business operator is obliged to conduct the following:

(1) Customer Identification (Article 4)

In conducting a certain transaction, verify identification data of a customer such as the name and domicile by asking for his/her driver's license or other identification documents;

(2) Preparation of customer identification records (Article 6)

Prepare and keep the record of identification data and measures taken for customer identification, etc. for seven years;

(3) Preparation of transaction records, etc. (Article 7)

Prepare and keep the record of the date and contents, etc. of transactions concerned for seven years;

(4) Reporting of suspicious transactions (Article 9)

Report transactions that are suspected of being related to criminal proceeds to the competent authority, except for judicial scriveners, administrative scriveners, certified public accountants, certified tax accountants and lawyers;

(5) Notification pertaining to foreign exchange transactions (Article 10)

In conducting a cross-border payment, notify the receiving institutions of certain items such as the name and the account number. This article is applied only to financial institutions that can conduct exchange transactions;

(6) Measures by lawyers (Article 8)

It is established by special provision, that lawyers shall conduct measures relevant to those described in (1) through (3) above based on Rule of the Japan Federation of Bar Association pursuant to the examples of judicial scrivener, etc.

These measures are classified by the types of business operators in Table 2-1. Also, "Specified Business Affairs" subject to obligations and "Specified Transaction" subject to customer identification obligation are listed in Table 2-2.

Customer identification, preparation and preservation of customer identification records and transaction records described in (1) through (3) above are expected to work as warnings against persons who attempt to transfer criminal proceeds and to enable tracing proceeds afterwards.

Suspicious transaction reports described in (4) will be used for investigations into money laundering crimes and predicate offences and will prevent criminals from abusing economic and financial systems, and assure its soundness.

The purpose of notification pertaining to foreign exchange transactions described in (5) is to enable tracing funds internationally and also respond to the FATF Special Recommendations regarding terrorist financing.

Table2-1 Measures of specified business operators obliged by the Act

Specified Business Operators (Paragraph 2 of Article 2)	Customer identification (Article 4)	Preparation and preservation of customer identification records (Article 6)	Preparation and preservation of transaction records (Article 7)	Reporting of suspicious transactions (Article 9)
Financial institutions, etc. (Item 1 through 33)	○	○	○	○
Finance leasing operators (Item 34)				
Credit card operators (Item 35)				
Building lots and building transaction business operator (Item 36)				
Business operators dealing with jewelry, precious metals, etc. (Item 37)				
Business operators providing a service of receiving postal items (Item 38)				
Judicial scrivener (Item 40)				X
Administrative scrivener (Item 41)				
Certified public accountant (Item 42)				
Certified tax accountant (Item 43)				
Lawyer (Item 39)				

Table2-2 Scope of "Specified Business Affairs" subject to obligations and "Specified Transactions" requiring customer identification

	Specified Business Affairs	Specified Transactions
Financial institutions, etc.	Business affairs conducted by financial institutions, etc. (limited to business affairs regarding finance)	Conclusion of deposit/savings contracts (which means contracts for the acceptance of deposits or savings), large cash transactions exceeding 2,000,000 yen, cash remittance exceeding 100,000 yen, etc.
Finance leasing operators	Finance leasing business affairs (limited to transactions which cannot be terminated earlier than the end of a contract, and to cases where the lessor enjoys the benefit associated with use of leased product and bears the cost)	Conclusion of lease contracts of goods whose lease fee exceeds 100,000 yen per payment
Credit card operators	Credit card business affairs	Conclusion of contracts for the delivery or issuance of a credit cards
Building lots and buildings transaction business operators	Business affairs which pertain to the buying and selling of building lots or buildings, or agent work or intermediation thereof	Conclusion of contracts for buying and selling building lots or buildings, or agent work or intermediation thereof
Business operators dealing with jewelry, precious metals, etc.	Business affairs which pertain to the buying and selling precious metals (gold, platinum, silver and alloy of these metals) and jewelry (diamond and other precious stones, semiprecious stones and pearls)	Conclusion of contracts for buying and selling precious metals, etc. whose payment amount exceeds 2,000,000 yen by cash
Business operators providing a service for receiving postal mail	Business affairs for providing a service of receiving postal mail on behalf of a customer	Conclusion of contracts for the provision of service *Conclusion of contracts including a clause stating that a postal mail without description on the destination such as a company name, with which one could easily recognize the receiver as the agent, will not be received is excluded.
Business operators providing a service for receiving telephone calls	Business affairs for providing a service for receiving telephone calls on behalf of a customer	Conclusion of contracts for the provision of service *Conclusion of a contract including a clause stating that the operator will clearly specify the company name of the agent when receiving a telephone call is excluded. *Conclusion of a contract for call center business, etc. is excluded.
Judicial scrivener Administrative scrivener Certified public accountant Certified tax accountant	Business affairs which pertain to agent or deputy work for the following acts: - Acts or procedures concerning the buying and selling of building lots or buildings - Acts or procedures concerning the establishment, merger, etc. of companies, etc. - Management or disposition of cash, deposits, securities and other property *Payment of tax, penalty, fine, etc. is excluded. *Management or disposition of others' property as a duty of a person appointed by the court or the competent administrative authority, such as a guardian of an adult, etc. is excluded.	Conclusion of contracts for carrying out agent work, etc. for the following acts - Acts or procedures concerning the buying and selling of building lots or buildings - Acts or procedures concerning the establishment, merger, etc. of companies, etc. - Management or disposition of cash, deposits, securities and other property whose value exceeds 2,000,000 yen *Conclusion of a contract for a voluntary guardian is excluded.
		A transaction with a customer already identified is excluded, however, transaction suspect of in the guise of another person is not excluded.

6 Dissemination of Information on Suspicious Transactions (Article 11 and 12)

In order to make use of information on suspicious transactions for domestic and overseas investigation, etc., the National Public Safety Commission may disseminate information to authorities in charge of investigating criminal cases such as a public prosecutor, assistant officers to prosecutors, judicial police officials (police officers, narcotics control agents, coast guards) customs officer and personnel of the Securities and Exchange Surveillance Commission and to a foreign FIU under certain conditions. The STR regime is detailed in Chapter 4 (Reports of Suspicious Transactions) and Chapter 5 (Promotion of International Cooperation).

7 Supervisory Measures (Article 13 through 17, 23, 24, 27)

The law provides inspection power to competent administrative authorities so that they can detect irregularities by specified business operators. The authorities can also employ various supervisory methods such as guidance, advice, suggestion, and order for rectification in the case of violation for a better compliance by specified business operators. A person who violates an order for rectification may be punished with imprisonment with labor for not more than two years or a fine of not more than three million yen.

Moreover, to complement supervisory function, the National Public Safety Commission is authorized the authority to state its opinion to competent administrative authorities (and make necessary inspections on business operators) when it detected violations.

8 Penal Provisions regarding Reception/Delivery/Provision of Deposit/Savings Passbooks, etc. (Article 26)

Sold or bought deposit/savings passbooks, ATM cards, etc., can be sold, bought, and misused in various crimes such as money laundering. In order to prevent this, the Act on Prevention of Transfer of Criminal Proceeds regulates persons who take over, receive or obtain a deposit/savings passbook, etc. for value or onerously, shall be punished by a fine of not more than 500,000 yen and a man who has committed, as a business, these crimes shall be punished by imprisonment with work for not more than 2 years or a fine of not more than 3,000,000 yen (optional cumulative imposition).

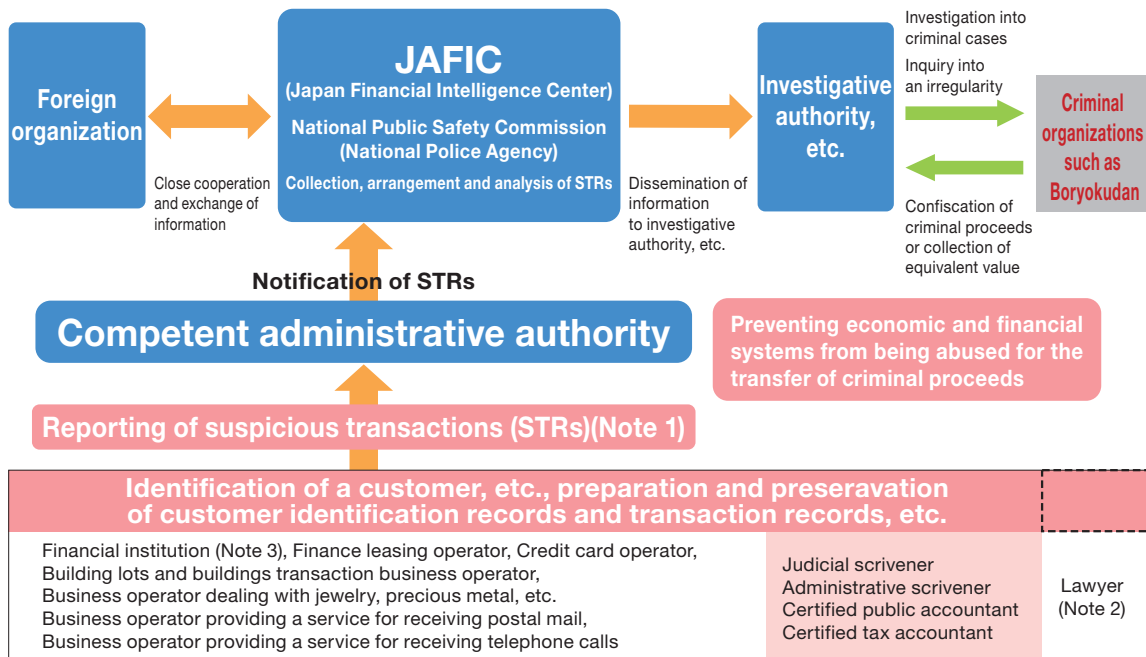
Furthermore, persons who invite or solicit another party to assign, deliver or provide a deposit/savings passbook, etc., for value or onerously, shall be punished by a fine of not more than 500,000 yen.

In addition, these penal provisions have been taken over from the Customer Identification Act, Article 16-2.

9 Enforcement

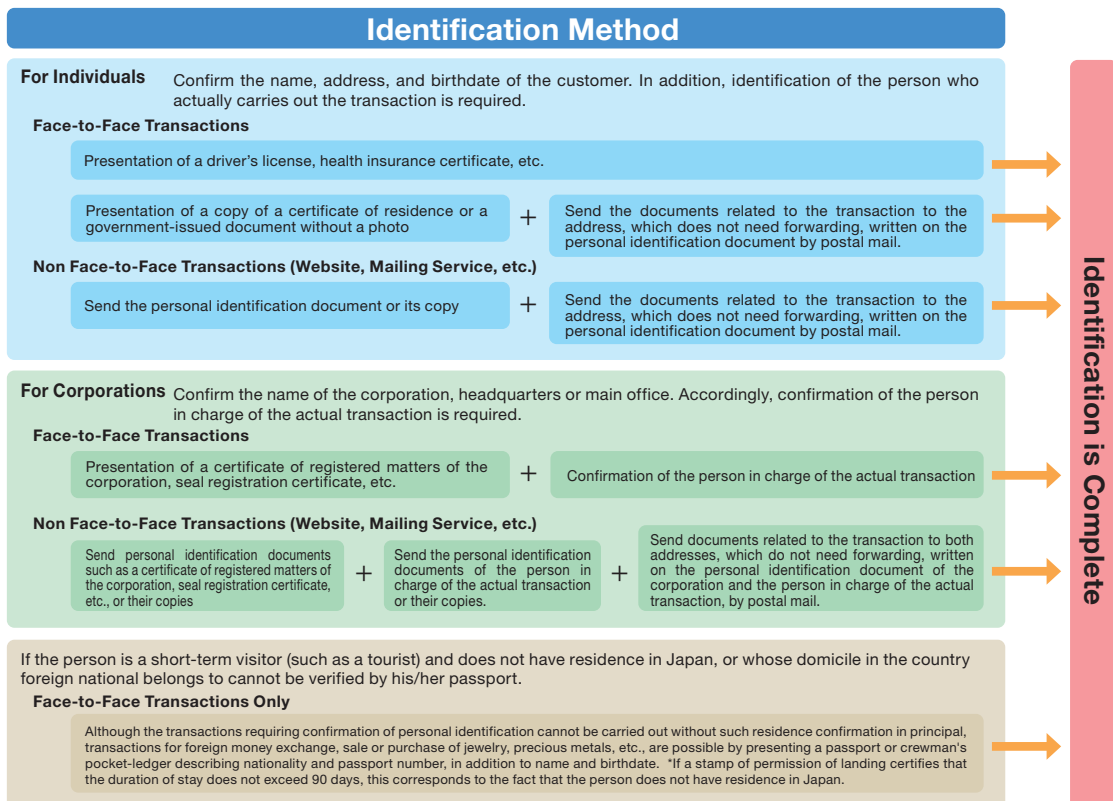
A part of the law, matters related to the function of FIU, such as the responsibilities of National Public Safety Commission, have been enforced since April 1, 2007, the range of specified business operators who are required to take measures for customer identification has expanded to include non-financial business professions, etc., since March 1, 2008.

Figure2-3 Outline of the Act on Prevention of Transfer of Criminal Proceeds



Note 1: Lawyers, judicial scriveners, administrative scriveners, certified public accountants and certified tax accountants are not subject to the obligation of suspicious transaction reporting.
 Note 2: Measures by lawyers corresponding to the measures of customer identification, preparation and preservation of customer identification records and transaction records shall be prescribed by the Rules of the Japan Federation of Bar Associations undertaken in line with cases of judicial scriveners, etc. set forth by the Act on Prevention of Transfer of Criminal Proceeds.
 Note 3: Among financial institutions, business operators involved in exchange transactions are obliged to notify information on money senders.

Figure2-4



Chapter 3

Establishment of JAFIC and Police Activities

On April 1, 2007, the JAFIC (Japan Financial Intelligence Center) was established within the Organized Crime Department of the National Police Agency when the Act on Prevention of Transfer of Criminal Proceeds came into force. JAFIC is an institution playing a central role in the enforcement of the said law mainly by collecting, arranging and analyzing suspicious transaction reports (STRs) filed from specified business operators and disseminating such information to public prosecutors, etc. As shown in the structure of the Act on Prevention of Transfer of Criminal Proceeds, cooperation of the public, especially specified business operators is indispensable for JAFIC to exercise its function.

Section 1 Background

Many countries have an equivalent institution to JAFIC. These are generally called FIUs (Financial Intelligence Units). Egmont Group, established in 1995 as a forum for exchanging information between FIUs, defines an FIU as a "central, national agency responsible for receiving, analyzing and disseminating to the competent authorities, disclosures of financial information: (1) concerning suspected proceeds of crime and potential financing of terrorism, or (2) required by national legislation or regulation, in order to combat money laundering and terrorism financing".

In Japan, although suspicious transaction reporting was made obligatory by the Anti-Drug Special Provisions Law, which came into effect in July 1992, it did not establish the system for centralization and dissemination of the information. Japan's first FIU was established within the Financial Supervisory Agency (reorganized into the Financial Services Agency in July 2000), when the Act on the Punishment of Organized Crime came into effect in February 2000, and it has the responsibility to handle information on suspicious transaction and exchange information with foreign counterparts under this Act.

In connection with the Act, the extension of the scope of business operators required to take anti-money laundering measures (expanded from financial institutions to building lots and building transaction business operators and the dealers of jewelry and precious metals and stones.), elements of STRs were to be extended as well. Therefore, it is thought that the function of FIU, which handles and analyzes STRs is suited for National Police Agency, which makes use of overall reported information for investigation and countermeasures against organized crime as well as terrorism rather than the Financial Services Agency, which supervises financial institutions.

This idea was unveiled in November 2005, when Government's "Headquarters for the Promotion of Measures against Transnational Organized Crime and Other Relative Issues and International Terrorism" decided to formulate the bill of the new AML/CFT law (the Act on Prevention of Transfer of Criminal Proceeds).

The Act on Prevention of Transfer of Criminal Proceeds clarified that the National Public Safety Commission (NPSC), which controls the National Police Agency and is aided by it, is responsible for prompt and appropriate collection, arrangement and analysis of suspicious transaction reports filed from specified business operators. It granted to the NPSC a function related to the handling of STRs including their dissemination to foreign FIUs as well as a function of complementary measures against specified business operators. JAFIC (Japan Financial Intelligence Center) was established within the Organized Crime Department, Criminal Investigation Bureau of the National Police Agency, as the new Japan's FIU to perform these functions.

Section2 Mission and Structure

JAFIC is in charge of the following tasks provided in the Act on Prevention of Transfer of Criminal Proceeds:

- Collection, arrangement, analysis and dissemination of reports to investigative authorities, etc. of suspicious transactions;
- Dissemination of information to foreign FIUs;
- Provision of information and complementation of supervisory measures by administrative authorities to ensure that specified business operators take the required measures;

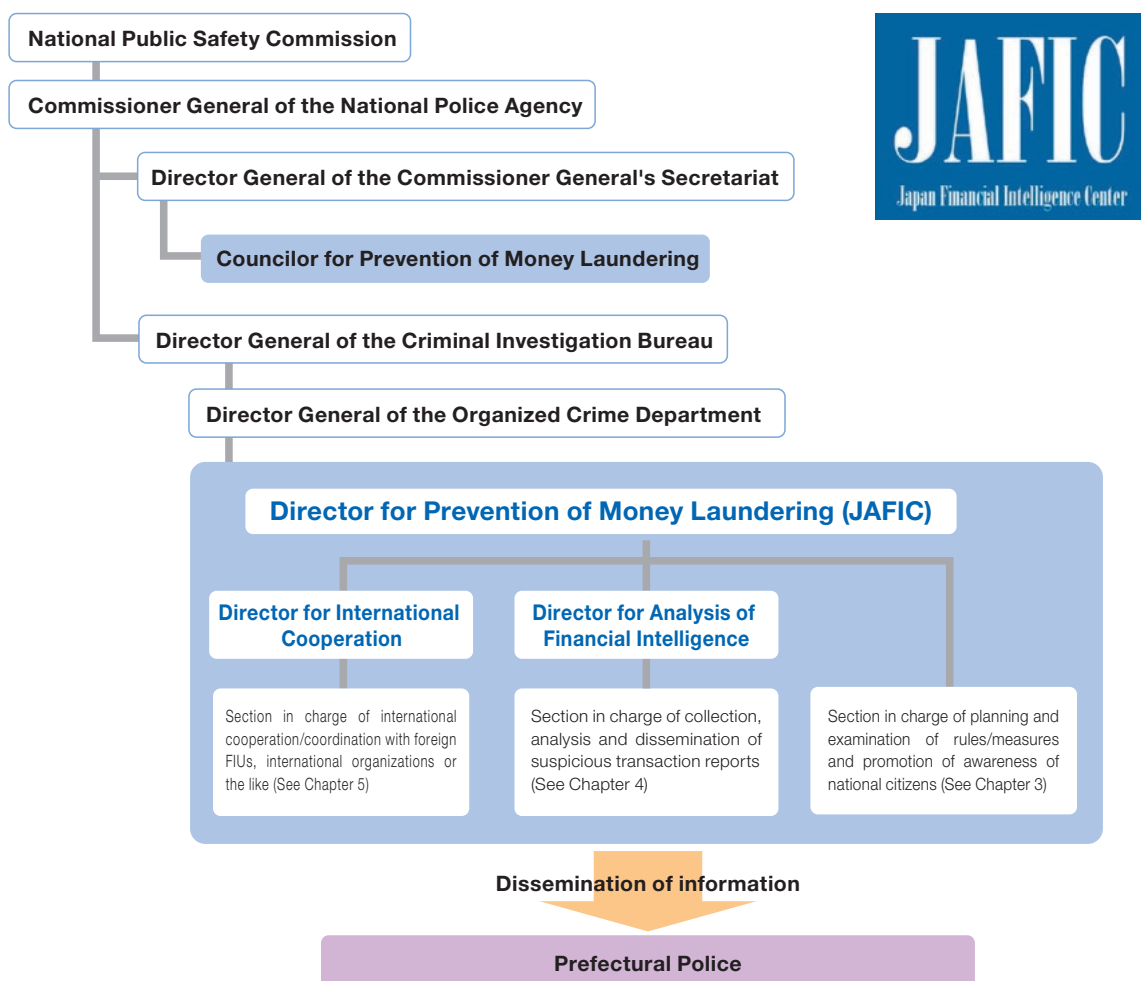
JAFIC also plans and examines the legal system related to AML/CFT and "the Guideline for Promotion of the Criminal Proceeds Control", etc., described in Section 4, as well as participating in establishing international standards.

Among these tasks, the status of the analysis and dissemination of STRs will be explained in Chapter 4, while cooperation with foreign FIUs and international institutions will be described in Chapter 5.

The structure of JAFIC is illustrated by Fig. 3-1. It is currently composed of about 50 employees under the Director.

On the other hand, the "Task Force specializing in investigation of money laundering" is established in each Prefectural Police in charge of tracing criminal proceeds and money laundering control, etc.

Figure3-1 Structure of JAFIC



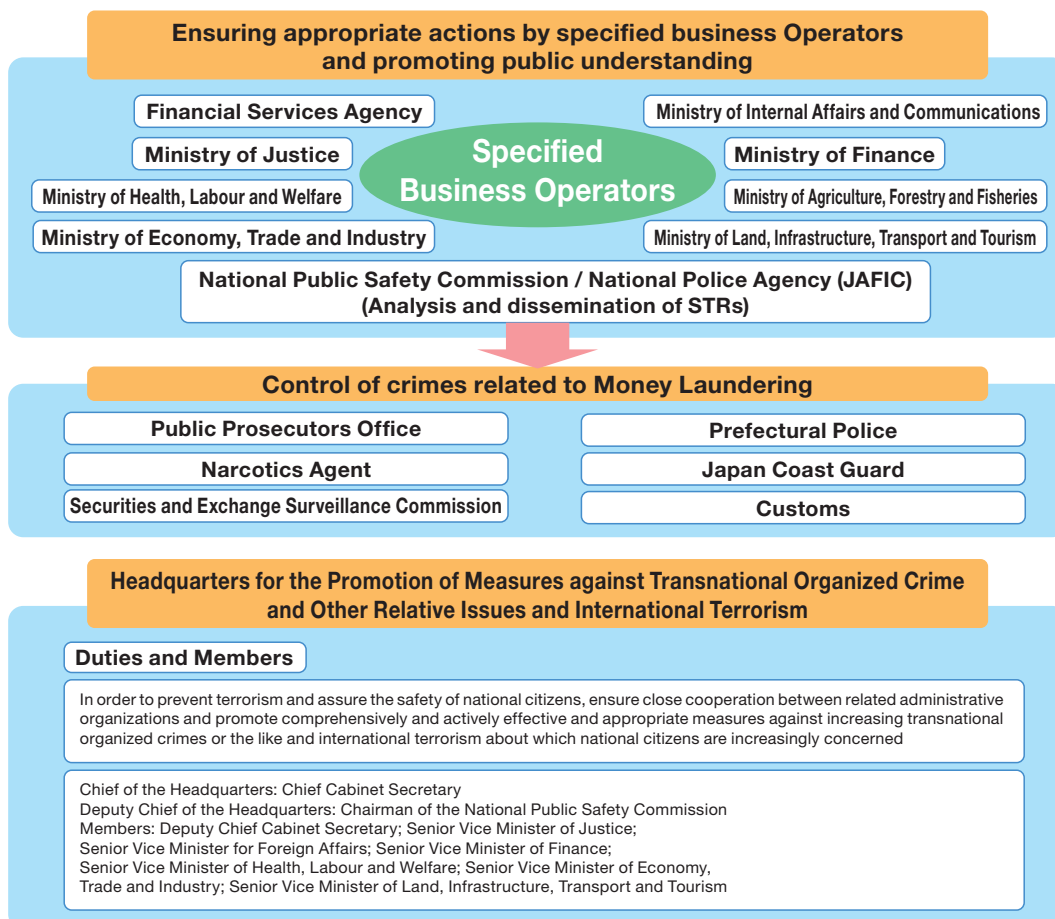
Section3 JAFIC and Partners

Specified business operators including financial institutions should take initial anti-money laundering measures according to the Act on Prevention of Transfer of Criminal Proceeds. As stated in this chapter separately, in addition to the analysis of financial intelligence, JAFIC endeavors to make public actual conditions of money laundering and legal systems and relevant countermeasures in order that specified business operators take the proper actions and gain cooperation from the public. Relevant ministries and agencies in charge of supervising business operators should not only exercise the supervisory function to secure the fulfillment of obligations, but should also issue List of Reference Cases of Suspicious Transactions, and seminars in cooperation with industry organizations. On the other hand, investigative authorities, such as the police, detect money laundering and predicate offences and, as a result, confiscate criminal proceeds within their respective jurisdictions.

These ministries and agencies carry out their duties in each position, while also cooperating with each other by exchanging useful information, discussing issues in preventing money laundering and other ways.

Also, for the purpose of promoting effective and appropriate measures against transnational organized crimes and international terrorism in a comprehensive and active manner, the "Headquarters for the Promotion of Measures against Transnational Organized Crime and Other Relative Issues and International Terrorism" was established in a Cabinet Meeting in August 2004. In addition, the "Ministerial Meeting Concerning Measures against Crime" which was started by the cabinet meeting agreement on September 2003, frequently discusses anti-money laundering measures.

Figure3-2 Anti-money laundering measures in each governmental organization



Section 4 Countermeasures against Criminal Proceeds by the Police

From the perspectives of confiscating the financial bases of criminal organizations, the police have been promoting countermeasures against criminal proceeds by, among others, cracking down on illegal acts and other fund raising activities undertaken by Boryokudan. The Act on the Prevention of Transfer of Criminal Proceeds is expected to make these countermeasures more effective with the cooperation of a wide range of business operators who may deal with criminal proceeds. The National Police Agency, playing a central part in enforcing the law, issued "the Guideline for Promotion of the Criminal Proceeds Control" with the notice of the Deputy Commissioner General of the National Police Agency dated April 26, 2007. In order that the police departments in Japan collectively strengthen measures against criminal proceeds, the Guideline clarifies fundamental items and ideas of these measures. Fundamental items in carrying out measures against criminal proceeds indicated by "the Guideline for Promotion of the Criminal Proceeds Control" are composed of four principles and six promoting items as follows:

1 Principles for countermeasures against criminal proceeds

- (1) Promotion of voluntary efforts by specified business operator and the promotion of public awareness
- (2) Analysis and utilization of information on criminal proceeds
- (3) Regulations of crimes related to criminal proceeds and promotion of deprivation of criminal proceed
- (4) Promotion of international cooperation of criminal proceeds control

2 Promoting items of countermeasures against criminal proceeds

- (1) Arrangement of the promotion of a system of countermeasures
The National Police Agency and each prefectural police should develop a system necessary for countermeasures against criminal proceeds. Each prefectural police establish a Task Force for fact-finding concerning criminal proceeds and develop the investigation system of crime related criminal proceeds.
- (2) Promotion of voluntary efforts by specified business operators and increased public awareness
The police should provide information on the transfer of criminal proceeds, instruction and advice to specified business operators and conduct public information and educational activities to deepen general understanding about AML/CFT measures.
- (3) Collection, arrangement and analysis of information on criminal proceeds
The National Police Agency should collect, arrange, analyze and disseminate information on criminal proceeds. Each prefectural police department should collect the information necessary for effective countermeasures against criminal proceeds. Relevant sections in a police department should maintain close cooperation with one another.
- (4) Promotion of countermeasures against criminal proceeds
The National Police Agency should provide instruction to and coordinate among prefectural police departments which investigate crimes related to criminal proceeds, as well as clarify actual conditions of criminal organizations, etc. Each prefectural police department should utilize STRs, apply the Act on the Punishment of Organized Crime, the Anti-Drug Special Provisions Law and other laws, while also promoting information collection activities.
- (5) Promotion to deprive Criminal Proceeds
Measures to prevent the transfer criminal proceeds shall be properly carried out, by not only arresting suspects, but also by the locating of criminal proceeds and the pre-indictment

confiscation security order of such criminal proceeds. Also, close coordination with the Public Prosecutor's Office shall be strengthened with regards the deprivation of criminal proceeds.

(6) Promotion of international cooperation

The police should strengthen international cooperation by, for example, exchanging information with foreign FIUs, responding to revisions of international recommendations, and supporting foreign countries in implementing international recommendations.

The police have already put into practice, actively, as described in Chapter 6, the policies indicated by "the Guideline for Promotion of the Criminal Proceeds Control" through various criminal investigations.

Figure3-3 Overview of the promotion outline of measures against criminal proceeds



Section5 Cooperation with Business Operators and the Public

Paragraph1 Explanation and Provision of Information, etc., on Seminars Targeting Specified Business Operators

1 Explanation of Seminars targeting Financial Institutions

JAFIC gave, together the Financial Services Agency, “Suspicious Transactions Reporting” seminars for financial institutions 17 times, in total at 12 places in Tokyo and at Local Finance Bureau of the like from October to November 2008, where it explained about cases of suspicious transactions reporting utilized by investigative authorities and points to keep in mind when filing the report and so on and answered the question made by employees of financial institutions.



Explanation at a Seminar

2 Explanation of Seminars for Currency exchanging Operators

The “Briefing on Act on Prevention of Transfer of Criminal Proceeds” seminar for Currency exchanging operators was held by Finance Ministry 11 times in total at 6 places in Tokyo and Local Finance Bureau during May 2008. Within these, JAFIC employees participated 9 times, summarizing the law and explaining the obligations of specified business operators.



Seminar for Currency exchanging Operators

3 Public Service Announcement in Cooperation with Mass Media and PR Activities Using Posters/Leaflets

Upon the Act on Prevention of Transfer of Criminal Proceeds fully taking effect in March 2008, citizens are now more often required to cooperate in customer identifications. Prior to the enforcement of the said act, JAFIC called for necessary cooperation in customer identification through TV, radio and newspapers and disseminated background information of the act. In addition, JAFIC prepared posters and leaflets so that the targeted business operators, industry organizations, police offices, etc. throughout the country can make the public aware of the required procedure.



Prepared poster

本人確認に必要な書類

本人確認には、運転免許証などの公的証明書が必要となります。本人確認に利用できる書類の主な例は以下のとおりです。
なお、有効期限のある本人確認書類については、事業者が提示または送付を受ける日において有効なものである必要があります。また、有効期限のない本人確認書類については、事業者が提示または送付を受ける日の前6ヶ月以内に作成されたものに限り、ます。

●個人の場合

- ・運転免許証
- ・健康保険証
- ・国民年金手帳
- ・児童扶養手当証書
- ・母子健康手帳
- ・住民基本台帳カード（氏名、住居、生年月日の記載のあるもの）
- ・旅券（パスポート）
- ・外国人登録証明書
- ・その他官公庁から発行された書類等で、氏名、住居、生年月日の記載のあるもの（顔写真のあるもの） など

●法人の場合

- ・登記事項証明書
- ・印鑑登録証明書（名称、本店または主たる事務所の所在地の記載のあるもの）
- ・その他官公庁から発行された書類等で、名称、本店または主たる事務所の所在地の記載のあるもの など

留意事項

本人確認を行う場合において、顧客または取引相手の住居が本人確認書類と異なる場合には、他の本人確認書類、納税証明書、社会保険料収受書、公共料金領収書等（領収日付の押印または発行年月日の記載のあるもの）で、提示または送付を受ける日の前6ヶ月以内のものに限り、提示または送付を受け、居住の住居を確認する必要があります。

！ 虚偽申告の禁止について

顧客および法人取引、代理人取引などで実際に取引を行っている取引担当者は、事業者が本人確認を行う際に、本人特定事項を偽ったりはなりません。本人特定事項を偽り、虚偽申告を行う場合は、罰則が適用されます。

● 事業者の責務について

事業者は、顧客および法人取引、代理人取引などで実際に取引を行っている取引担当者が本人確認に応じないときは、本人確認に応じざるまで、取引に係る業務の履行を拒むことができます。

● 本人確認記録および取引記録の作成・保存について

事業者が本人確認を行った場合には、本人確認記録を作成し、7年間保存する必要があります。また、取引に関する記録についても作成し、7年間保存する必要があります。

詳細については、警察庁ホームページをご覧ください。
<http://www.npa.go.jp>
TEL.03-3581-0141
警察庁 刑事局 組織犯罪対策部 犯罪収益移転防止管理官
〒100-8974 東京都千代田区霞が関二丁目1番2号

各事業者の方のお問い合わせ先

業務機関	銀行振替金融機関 TEL. 03-3506-6000(代表)
ファイナンス事業者	経済産業省情報情報政策局犯罪情報課 TEL. 03-3501-1511(代表) (内線:4193)
クレジットカード事業者	経済産業省情報政策局犯罪情報課 TEL. 03-3501-1511(代表) (内線:4193)
宅地建物取引業者	宅地建物取引業の免許を受け、国土交通省の宅地建物取引業法に基づき業務を行う事業者 TEL. 03-3501-1511(代表) (内線:4041)
貸付業者	経済産業省情報政策局犯罪情報課 TEL. 03-3501-1511(代表) (内線:3891)
貸付業者 保証事業者	経済産業省情報政策局犯罪情報課 TEL. 03-3501-1511(代表) (内線:4701)
貸付業者 保証事業者	経済産業省情報政策局犯罪情報課 TEL. 03-3501-1511(代表) (内線:4701)
郵便物取扱サービス業者	経済産業省情報政策局犯罪情報課 TEL. 03-3501-1511(代表) (内線:4041)
電話受付代行業者	経済産業省情報政策局犯罪情報課 TEL. 03-3501-1511(代表) (内線:4641)

2008年3月1日施行
『犯罪収益移転防止法』
本人確認が必要となる事業者が広がります。
本人確認にご協力をお願いします。

警察庁 金融庁 総務省 法務省 財務省
厚生労働省 農林水産省 経済産業省 国土交通省

Prepared leaflet

4 PR on Website

JAFIC has created a JAFIC page on the website of the National Police Agency that explains its activities and the Act on Prevention of Transfer of Criminal Proceeds.

Website of the National Police Agency:
<http://www.npa.go.jp>

Website of JAFIC
<http://www.npa.go.jp/sosikihanzai/jafic/index.htm>

JAFIC Japan Financial Intelligence Center
警察庁 刑事局組織犯罪対策部 犯罪収益移転防止管理官

WHAT'S NEW

- 平成20年12月19日(木)「タリバー」関係者等と関係する取引の取扱いについて(犯罪収益移転防止法第12条の10)の施行について
2008.12.22up
- 平成20年12月6日(木)「タリバー」関係者等と関係する取引の取扱いについて(犯罪収益移転防止法第12条の10)の施行について
2008.12.9up
- 平成20年11月13日(木)「タリバー」関係者等と関係する取引の取扱いについて(犯罪収益移転防止法第12条の10)の施行について
2008.11.14up

犯罪収益移転防止法
平成20年3月1日施行
マネーロンダリング、プロパティ犯罪禁止のため、本人確認が必要となる事業者が広がります。

本人確認にご協力ください!

リーフレットのダウンロードはこちらから
ポスターのダウンロードはこちらから

JAFIC Japan Financial Intelligence Center-警察庁 刑事局組織犯罪対策部 犯罪収益移転防止管理官
JAFIC(ジャフィック)とは、日本の資金情報機関(FIU: Financial Intelligence Unit)の英語名称でJapan Financial Intelligence Centerの略称です。
警察庁 刑事局組織犯罪対策部に置かれた犯罪収益移転防止管理官は、我が国の新たなFIU(資金情報機関)として「犯罪による収益の移転防止に関する法律」に定められた国家公安委員会の事務を補佐する役割を担っています。

警察庁ホームページへ
警察庁 National Police Agency

Explanation at the National Police Agency Website

Paragraph2 Provision of Information for Specified Business Operators following the U.N. Security Council Resolution

When, for example, the United Nations Security Council adopts a resolution on measures for freezing the assets related to person or organization deemed to be involved in terrorism, etc., JAFIC shall disseminate the content to specified business operators and thoroughly request the implementation of the fulfillment of customer identification obligation and suspicious transaction reporting obligation on the person or organization whose assets, etc., are targeted for freezing. Moreover, the targeted person or organization of the said measure shall be listed on the website.

Paragraph3 Efforts of Specified Business Operators

1 Efforts of Banking Industry

The "Japanese Bankers Association" (hereinafter referred to as "JBA"), of which most of the banks active in Japan are members, established the "Working Committee on Money Laundering Issues" within JBA in 1990 and, since then, has been taking anti-money laundering measures, such as preparing and providing notices on items to keep in mind regarding the procedures of customer identification and suspicious transaction reporting, preparing and distributing seminar handbooks for its members, giving seminars for its members, and so on.

Also, JBA prepares leaflets, posters or the like to be provided to customers regarding customer identification procedure, etc. In addition, JBA is promoting organizational measures on issues related to money laundering/terrorist financing inside and outside of Japan by following, at all times the development of AML/CFT measures at FATF, exchanging and sharing information continuously with foreign bankers associations or the like, making responses to FATF mutual evaluations of Japan, and so forth. As an example of JBA playing a leading part in the efforts of the banking industry, it incorporated into its "Code of Conduct," established in November 2005, provisions on compliance including money laundering prevention and confrontation with antisocial forces, and has had its members put them into practice.

2 Efforts of Securities Industry

The securities industry has made efforts to eliminate Boryokudan, etc. from securities transactions and promote anti-money laundering measures.

Moreover, the Japan Securities Dealers Association as well as each stock exchange, together with related institutions including the Financial Services Agency and the National Police Agency, established the "Securities Safety Liaison Committee" in November 2006 to examine future measures to eliminate the Boryokudan from the industry. On July 26, 2007, "Elimination of Antisocial Forces from Securities Transactions and the Securities Market" was published as an interim report of the examination results. In February 2008, the "Concept of Reporting Suspicious Transactions" was summarized to ensure effective reporting, clarifying the need to further strengthen countermeasures against money laundering, such as the prompt reporting of suspicious transactions.

Moreover, in addition to securities companies, the Japan Securities Dealers Association, Stock Exchange, Financial Bureau, Prefectural Police Department, the National Center for Elimination of Boryokudan and the Bar Association established the "Security Police Liaison Council" in each prefecture, and effectively improved the elimination of the Boryokudan from the industry and the prevention of money laundering, through on-site level information exchange and the implementation of seminars.

3 Efforts of Real Estate Industry

The real estate industry established in December 2007, a cross-organizational liaison council named

"Liaison Council for Preventing Transfer of Criminal Proceeds and Preventing Damage by Antisocial Forces in the Real Estate Industry" so that the real estate industry as a whole, can promote collective efforts to prevent the transfer of criminal proceeds and eliminate antisocial forces in preparation for the total enforcement of the Act on Prevention of Transfer of Criminal Proceeds. The Liaison Council is promoting such efforts as; discussing the development of the responsibility system with relevant operators, preparing and distributing a brochure, etc., for the purpose of enlightenment, and the sharing of information concerning the operation of systems including the Act on Prevention of Transfer of Criminal Proceeds.

4 Efforts of Lawyers Associations

The Japan Federation of Bar Associations had been examining the relation between anti-money laundering measures and the duties of a lawyer, recognizing the importance of the measures, and establishing with a resolution of the general assembly meeting in March 2007, the "Rules on Identification of Clients and Record-Keeping" which stipulates the obligations of a lawyer; e.g., confirming the identity of a client, preserving the records for certain practices, and not accepting a request if suspected to be used for transfer of criminal proceeds. The rule was put into effect on July 1, 2007.

The Japan Federation of Bar Associations, in cooperation with each bar association, distributed PR leaflets, gave seminars and delivered training videos on the Internet for a successful implementation of this rule.

Section 6 Measures to Ensure the Effectiveness of the "Act on Prevention of Transfer of Criminal Proceeds"

When it finds that a specified business operator has violated the obligation of customer identification, etc., the National Public Safety Commission states its opinion to a competent administrative agency under the Act on Prevention of Transfer of Criminal Proceeds.

During the process of investigation of "furikome" fraud by a registered mail to mail receiving services providers (so-called private P.O box companies) suspected of violation of the obligation of customer identification, etc., in accordance with the Act on Prevention of Transfer of Criminal Proceeds, the National Public Safety Commission requested that 11 business operators to submit a report and data, and of those 4 business operators were recommended to the Minister of Economy, Trade and Industry under the Act, Article 17.1. Next, the Minister of Economy, Trade and Industry issued a remedy order to two business operators within the year.

Current Conditions of the Application of Penal Provisions regarding Delivery/Provision of Deposit/Savings passbook, etc. (tentative number of cases)

In the Act on Prevention of Transfer of Criminal Proceeds Article 26, which replaces the Customer Identification Act, Article 16-2, regulates the punishment for selling and/or buying of deposit/savings passbooks, etc.

Enforcement of Penal Provisions according to the Act on Prevention of Transfer of Criminal Proceeds come into force on March 1, 2008. As such, the Customer Identification Act by Financial Institutions is applied to the selling and/or buying of deposit/savings passbooks, etc., for cases before this date (statutory punishment is the same).

There were 541 cases of violation of the Act on Prevention of Transfer of Criminal Proceeds Article 26 (delivery/provision of deposit/savings passbook, etc.) (including arrests for the violation of the Customer Identification Act, Article 16-2) in 2008. Of these, 530 cases (98.0%) related to delivery or provision.

Chapter 4

Reports of Suspicious Transactions

The Act on Prevention of Transfer of Criminal Proceeds requires specified business operators to file a report to a competent administrative authority if a transaction is suspected to be related to criminal proceeds. This measure was made obligatory for the first time in the Anti-Drug Special Provisions Law and was carried over to the Act on Prevention of Transfer of Criminal Proceeds through the Act on the Punishment of Organized Crime.

Section 1 Outline of the Suspicious Transaction Report System

1 Purpose

The Suspicious Transaction Report System aims, by supporting investigation on money laundering and predicate offences, to prevent illegal use of the services of legal businesses and ensure their soundness and trust.

2 Cases in which Reporting is Required

Specified business operators are required to file an STR to a corresponding supervising authority, when they suspect, during the course of their businesses (types of the businesses listed in table 2-2), that assets they received are criminal proceeds or that their client commits an offence of concealment of criminal proceeds.

3 Announcement of List of Reference Cases of Suspicious Transactions

Specified business operators are expected to judge whether the concerned transaction is a suspicious transaction with their own knowledge and experience at that industry, taking into account the form of transaction, client attributes and conditions surrounding the transaction. It may well be the case, however, that some operators simply lack adequate understanding of money laundering and find it difficult to make an appropriate judgment. Therefore, in Japan, since the time of the Anti-Drug Special Provisions Law, "List of Reference Cases of Suspicious Transactions," has been issued for specified business operators as a guideline for reporting. It is often called the "Reporting Guideline." Under the Act on Prevention of Transfer of Criminal Proceeds, which covers a wider variety of specified business operators than before, competent supervisory authorities issue Reporting Guidelines, based on the characteristics of respective specified business operators.

These guidelines are listed as clarified in the introduction thereof, samples of suspicious transactions are intended merely for reference. This means, it is for the specified business operator to judge whether an individual case is a suspicious transaction, taking into account the client's attributes, conditions surrounding the transaction and other specifics of the transaction. All the transactions that appear to match the listed samples do not necessarily have to be reported as suspicious, while transactions that do not fall within any of them may still be suspicious and subject to reporting.

4 Flow of Suspicious Transactions Reporting

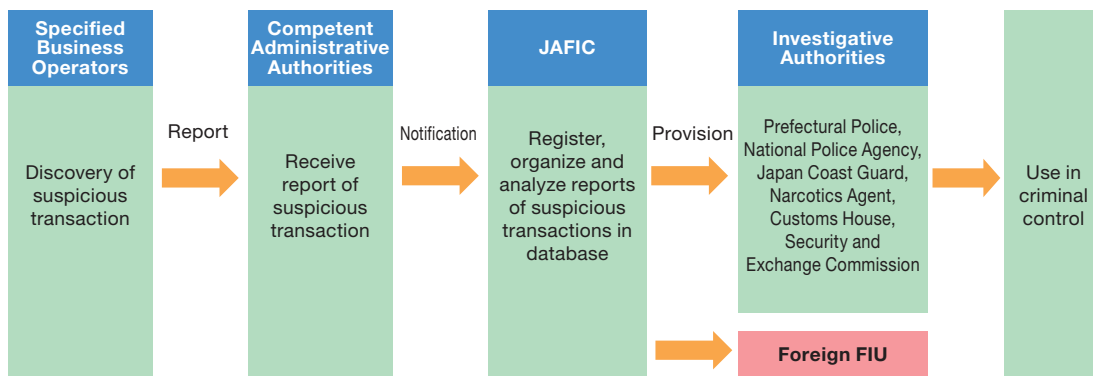
Information reported by specified business operators are collected at JAFIC, via the competent administrative authorities. JAFIC sorts and evaluates suspicious transaction reports, and then

disseminates selected the result of evaluation to investigative authorities such as Prefectural Police and Public Prosecutors Office, etc.

The investigative authority which receives STRs, uses them as clues for criminal investigation, detection of criminal proceeds and tracing the source of illicit funds. Moreover, JAFIC provides foreign FIUs spontaneously or on their request with information of overseas transactions so they can trace criminal proceeds transferred across borders.

Furthermore at JAFIC, a detailed analysis of STRs is carried out using the information gathered by the police for organized crime countermeasures, etc., and the result of analysis are disseminated to related Prefectural Police.

Figure4-1 Flow of STRs from specified business operators, through JAFIC to investigative authorities



5 Information Security Measures

Since STRs include sensitive information on individuals and business activities, JAFIC makes the utmost effort to prevent leakage, loss, damage, or other misconducts. National Public Safety Commission sets forth in its rules how relevant information should be handled and other information security measures.

Following are some of the security measures JAFIC takes.

(1) Management of Entering and Exiting

Terminals that can access information stored in the JAFIC database are located in a room with a door that is controlled by a biometric authentication system. Only a limited number of staff members are permitted to enter the room.

(2) Three steps of Authentication

In order to access the information in the JAFIC database, three levels of authentication are required. In other words, the information can be reached only after authentication is done 3 times, in 3 different ways. In the authentication procedure, if more than one mistake occurs, access from the terminal is prohibited, and in this way use without permission is securely prevented.

(3) Surveillance of Terminal

All processing operated at the terminal, such as file inquiries and printing, is monitored and recorded by surveillance software. This allows for tracing survey in case of illegal operation, as well as restraining illegal operation within the organization.

(4) Physical Measures of Terminal

Each terminal is firmly affixed to a desk with a security wire, to prevent theft.

(5) Strengthening of Server Management

The server that contains reporting information is located in a server room with adequate security measures, and only qualified staffs are allowed to enter.

(6) Encryption of Terminal's Hard Disk Drive Information

The hard disk drives on the terminals that are used to access the database system are all encrypted. Therefore, if the hard disk drives are removed and taken out, the information recorded in the hard disk drive and all related programs will still be inaccessible.

(7) Encryption of Circuit

Transmission between the server and terminals is encrypted with a special circuit.

Section2 Situation of Suspicious Transaction Reports

1 The change in the number of reported cases

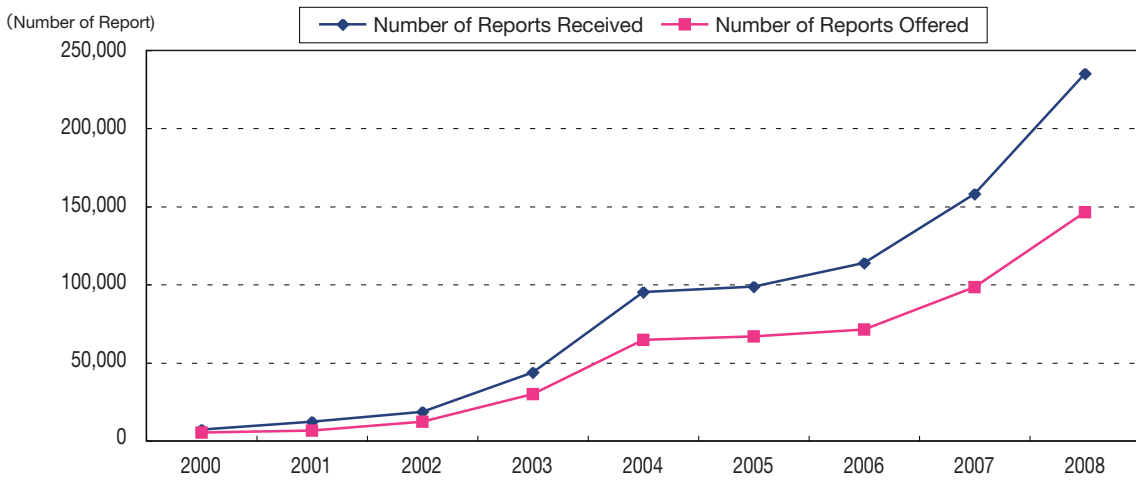
As described in Chapter 1, although the system of suspicious transaction reports was established by the enforcement of the Anti-Drug Special Provisions Law in 1992, less than 20 cases were reported each year between 1992 and 1998, largely because the subjects of reporting was limited to proceeds derived from drug-related crimes. Under these conditions, that reporting system could not be considered to be fully functional. However, since the enactment of the Act on the Punishment of Organized Crime in 1999 (enforced in February 2000), crimes subjected in suspicious transaction reports was expanded from drug-related crimes to serious crimes, and the number of reports exceeded 1,000 cases in 1999. Since the enforcement of the Act on the Punishment of Organized Crime in the year 2000, the number of reports has increased each year, and has rapidly increased since the enforcement of the Act on Prevention of Transfer of Criminal Proceeds. The number of reports in 2008 was 235,260, an increase of 77,219 cases (48.9%), about 32.5 times increase compared to 2000.

Table4-1 Trend Diagram of Number of Reports of Suspicious Transactions (1992-1999)

	1992	1993	1994	1995	1996	1997	1998	1999
Yearly number of Reports Received	12	17	6	4	5	9	13	1,059

Note: The notifications of 1992 are those made after July, the month the notification system was established.

Figure4-2 Trend Diagram of Number of Reports of Suspicious Transactions (2000-2008)



Number of Reports Received	7,242	12,372	18,768	43,768	95,315	98,935	113,860	158,041	235,260
Number of Reports Offered	5,329	6,752	12,417	30,090	64,675	66,812	71,241	98,629	146,330

Note 1: Reports that were received by the Financial Services Agency between February 2000 and March 2007 and by the National Public Safety Commission and the National Police Agency after April 2007.

Note 2: Reports that were disseminated by the Financial Services Agency between February 2000 and March 2007 and by the National Public Safety Commission and National Police Agency after April 2007.

The circumstances regarding the increase in reporting numbers can be thought to be

- The tendency of financial institutions' strengthening of surveillance on illegal funds, along with an overall improvement of compliance awareness in society.
- Permeation of the system of suspicious transaction reports in financial institutions.
- Customer Due Diligence adopted "Risk-based Approach".

Moreover, financial institutions, etc., have taken various measures, both tangibly and intangibly. In particular, many financial institutions, in which the number of reports has increased, have promoted training on countermeasures against money laundering with resources such as a handbook for employees and have improved the ability of individual employees, as well as strengthening the system to identify suspicious transactions, by increasing personnel in charge of money laundering countermeasures and the introduction of the detection systems for suspicious transactions.

2 Number of Reports by Business Types

The number of suspicious transaction reports that each category of businesses filed in 2008 is shown in table 4-2. Banks have the highest number of reports with 216,016 cases, or 91.8% of all reports, followed by Shinkin bank and Credit cooperative (13,218 cases, 5.6%), and financial instrument business operators (3,321 cases, 1.4%).

The low percentage of reports is from the financial instrument business operators such as Securities Company, which showed the highest increase of the number of report in 2008 an increase of 182.9% compared to the previous year.

Table4-2 Number of Suspicious Transaction Reports by Business Types

Business Type	2007		2008		Increase/Decrease rate		
	Number of reports	%	Number of reports	%	Number of reports	%	
Bank	133,699	84.6%	216,016	91.8%	82,317	61.6%	
Japan Post	11,859	7.5%	722	0.3%	-11,137	-93.9%	
Credit Union, Credit Association	10,237	6.5%	13,218	5.6%	2,981	29.1%	
Financial instruments business operators	1,174	0.7%	3,321	1.4%	2,147	182.9%	
Money Lending Business	397	0.3%	509	0.2%	112	28.2%	
Agriculture and Forestry	294	0.2%	420	0.2%	126	42.9%	
Labour Bank	189	0.1%	234	0.1%	45	23.8%	
Insurance Company	48	0.0%	113	0.0%	65	135.4%	
Other	144	0.1%	192	0.1%	48	33.3%	
new business operators	Finance Lease	-	-	64	0.0%	-	-
	Credit Card	-	-	365	0.2%	-	-
	The Real Estate Transaction	-	-	21	0.0%	-	-
	Dealer of Jewel and Precious metal and stones	-	-	8	0.0%	-	-
	Receive postal items	-	-	57	0.0%	-	-
	Telephone receiving services	-	-	0	0.0%	-	-
Total	158,041	100.0%	235,260	100.0%	77,219	48.9%	

Note: Within the "Japan Post" in 2007, reports from "Japan Post Bank" "Japan Post Insurance," and "Management Organization for Postal Savings and Postal Life Insurance" after October 1 2007 are included.

Within "Banks" in 2008, "Japan Post Bank" is included, and within "Insurance Companies," "Japan Post Insurance" is included.

Within "Japan Post" in 2008, only the number of reports calculated from the "Management Organization for Postal Savings and Postal Life Insurance" are included.

3 Number of Reports by Branch Locations of specified business operators

Locations of branches (stores) of specified business operators that filed suspicious transaction reports are shown in figure 4-3 and table 4-4. Tokyo has the largest amount, or 87,044 cases, 37.0% of all reports, followed by Osaka Prefecture with 21,037 cases (8.9%), and Aichi Prefecture with 15,447 cases (6.6%).

The top 10 prefectures are concentrated in large cities (notwithstanding, the ranking is different from 2007's, the prefectures of the top 10 are the same as 2007's). This is presumably due to the fact that

the population, scale of economy and the number of transactions are larger.

The number of reports in 2008 from all around Japan increased 77,219 cases (48.9%) from the year before. In 43 prefectures reports increased from the year before. In particular, in Miyazaki Prefecture 2.4 times more reports than 2007 were filed. Reports in Tottori, Tokyo, Akita and Ishikawa Prefecture also 1.8 times more report than in 2007. This shows that both city banks and local financial institutions are improving AML measures.

Figure4-3 Number of Suspicious Transaction Reports by Prefectures, in 2007

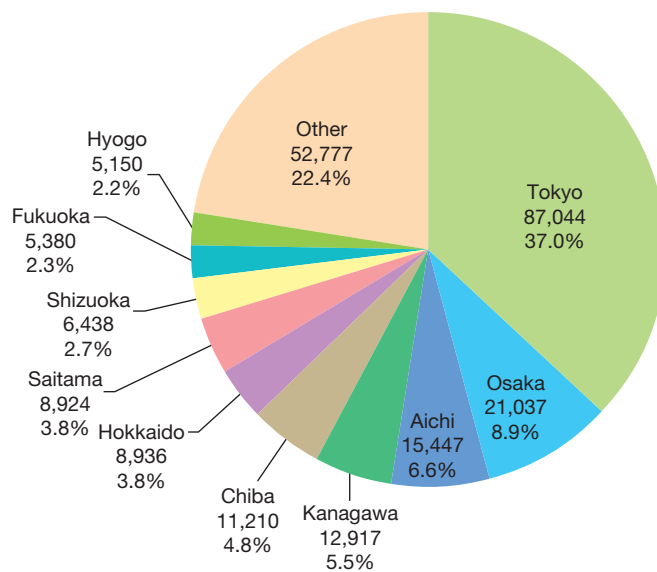


Table4-3 Number of Suspicious Transaction Reports by Prefectures

Prefecture	Number of reports in 2007	Number of reports in 2008	Increase/decrease between 2007 and 2008 (number of reports)	Increase/decrease between 2007 and 2008 (%)
Tokyo	44,817	87,044	42,227	94.2%
Osaka	16,097	21,037	4,940	30.7%
Aichi	8,708	15,447	6,739	77.4%
Kanagawa	10,007	12,917	2,910	29.1%
Chiba	7,764	11,210	3,446	44.4%
Hokkaido	8,489	8,936	447	5.3%
Saitama	7,248	8,924	1,676	23.1%
Shizuoka	3,840	6,438	2,598	67.7%
Fukuoka	3,916	5,380	1,464	37.4%
Hyogo	4,335	5,150	815	18.8%
Total of top 10 prefectures	115,221	182,483	67,262	58.4%
Total of other 37 prefectures	42,820	52,777	9,957	23.3%
Total	158,041	235,260	77,219	48.9%

Note: The number of offices of financial institution was taken from "Statistical Survey of Business and Companies in 2006-Total Number of Businesses by Industry (Sub-category) of Prefectural Statistics," Ministry of Internal Affairs and Communications. This does not exactly correspond to the number of offices subject to STR requirement.

Section3 Use of Suspicious Transaction Reports

Paragraph1 Dissemination to Investigative Authorities

JAFIC provides investigative authorities with STRs reported by specified business operators that it judged to be conducive to the investigation of money laundering and predicate offences. Investigative authorities are Prefectural Police, Public Prosecutors Office, Narcotics Control Department, Japan Coast Guard, and Customs and Securities and Exchange Surveillance Commission.

In 2008, 146,330 reports were disseminated to investigative authorities, an increase of 47,701 cases (48.4%) compared to the previous year (See figure 4-2).

The number of disseminated reports amount to 62.2 % of all the STRs and this ratio has stayed almost the same over the past several years.

Paragraph2 Outlook of How STRs are Used

The number of cases cleared by prefectural police that were initiated with STRs is increasing each year, after the enforcement of Organized Crimes Punishment Law, with 175 cases in 2008.

Table 4-4 shows the numbers categorized by the type of crime, and fraud has the largest number making up 75.4%.

Table4-4 Number of cases cleared that started with Suspicious Transaction Reports

Crime \ Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	Total
Fraud	2	3	2	4	6	14	34	81 (6)	132 (2)	278 (8)
Violation of Money-Lending Business Law and Law Concerning Receiving of Capital		1		3	3	1	2	3 (1)	12(6)	25 (7)
Forgery of documents		2	1		2	1		2	2	10
Drug offenses		1	2						1	4
Gambling			1					1		2
Other	1	7	10	5	2	2	14	12 (2)	28 (1)	81 (3)
Total	3	14	16	12	13	18	50	99 (9)	175 (9)	400 (18)

Note 1: This is the number held by National Police Agency

Note 2: The number in parentheses () represents the number of suspected money laundering cases which led to arrest

Note 3: Drug-related crimes are in violation of each the Special Drug Act, Stimulants Control Act, Cananabis Control Law, and/or Narcotics and Psychotropics Control Act.

With regard to the number of STRs utilized for the investigation by prefectural police, 668 investigations were initiated with STRs. Other than these STRs, 44,199 STRs were utilized for other investigation not initiated with STRs.

In the investigations not initiated with STRs, many STRs are used for criminal investigation that started from a different source, for further crimes, for locating criminal proceeds. In addition, they are used as essential intelligence to promote anti organized crimes measures, such as for revealing sources of income or utilizing funds of Boryokudan.

The STRs being used for criminal investigation that initiated with the STRs but still under investigation are counted as the STRs being not initiated with STRs.

Table 4-5 Number of STRs used in 2008

Number of STRs used for investigation of cases cleared that initiated with information contained therein	668
Number of STRs used for investigation of cases other than above mentioned	44,199

Note: In the number of STRs used for investigation of cases cleared that initiated with STRs, the number of STRs used, when the case is cleared, is added up.

JAFIC tries to obtain a realistic view of the movement of funds of the antisocial syndicates such as Boryokudan by comprehensive analysis of information contained in the STRs of customers, by matching them with other STRs from the same customers that were reported in the past; information accumulated to measure for organized crime, as well as publicly available information.

These analyses have revealed that antisocial syndicate makes use of Boryokudan affiliated companies, investment partnerships and other kind of corporate vehicles and utilizes their funds in various ways and transfers a large amount of funds overseas.

Although it can be assumed that the resources of a large part of the funds handled by antisocial syndicates are sometimes from criminal proceeds, there are many cases that their relationship with particular predicate offences is obscured because various fund activities make its source unclear and utilized in various ways.

As recent cases of arrests typically show, antisocial syndicates often use affiliated companies as cover, feign normal transactions that hide any connection with Boryokudan, receive cooperation from others who have various information and specialized knowledge, and thus use their funds. This is one of the main factors which make the fund-raising activity by antisocial syndicates opaque.

Therefore, in order for the actual conditions of fund-raising activities to become more transparent, JAFIC is convinced that it is important to continue to monitor and trace the movement of funds of antisocial forces, and to enhance the control of illegal activities committed in the course of fund-raising activities through the utilization of the analysis of STRs as well as a close cooperation with investigative authorities, including Customs, Securities and Exchange Surveillance Commission and foreign FIUs.

Chapter 5

Promotion of International Cooperation

Section1 Need for International Cooperation on AML/CFT Measures

Economy and financial services are widely globalized today, and money transfers can be made instantly across borders. There are a number of cases in which crime and terrorist organizations attempt to evade law enforcement authorities' investigations by transferring criminal proceeds to foreign countries, and terrorist funds through third-party nations.

Non-cooperative countries and regions, or those taking insufficient AML/CFT measures are likely to be misused as an escape route for money-laundering or terrorist financing.

It is in this context that no jurisdiction can be outside the global network to tackle money laundering and terrorist financing. Every country or region needs to closely cooperate with others in making and implementing measures against this, so relevant authorities can trace and detect illicit proceeds and prevent criminal organizations from abusing international financial system for illicit purposes.

Therefore, anti-money laundering measures are taken in FATF (Financial Action Task Force on Money Laundering) and other various international organizations.

From the inception of the Japan Financial Intelligence Office (JAFIO), Japan's FIU had actively participated in the deliberations at FATF (Financial Action Task Force on Money Laundering) and other international institutions and discussed this matter with its global partners.

JAFIC (Japan Financial Intelligence Center), Japan's new FIU, established in April 2007, is needed not only to take over the achievements of JAFIO, but also to seek to collaborate even more vigorously with other countries in promoting global implementations of effective AML/CFT measures.

Section2 Activities of International Institutions and Japan's Participation

Paragraph1 FATF

1 FATF

FATF (Financial Action Task Force on Money Laundering) is an intergovernmental body established by the "Economic Declaration" of the 1989 Archa Summit Communique to promote international cooperation on AML measures. After the September 11US terrorist attacks of 2001, FATF has also taken the initiative in the promotion of international CFT measures. FATF has 32 member jurisdictions (including Japan) and 2 international organizations as of December 2008.

2 Activities of FATF

(1) Main Activities of FATF

1. Formulation and review of international standards in the "FATF Recommendations" concerning AML/CFT measures
2. Monitoring the status of compliance with the FATF Recommendations in FATF member jurisdictions (Mutual Evaluations)
3. Promotion of compliance with the FATF Recommendations to non-member countries/regions
4. Study on trends and modus operandi of money laundering and terrorist financing

(2) The FATF Recommendations

a) The 40 Recommendations

In 1990, FATF laid out standards in "the 40 Recommendations", to be applied by jurisdiction in the field of law enforcement, criminal justice, and financial regulations. In 1996, FATF revised the Recommendations and, for instance, made the Suspicious Transaction Report obligatory, and required predicate offences to include serious crimes as a whole. With cooperation from private sectors, FATF started a re-evaluation process of the Recommendations in 2001 to improve AML/CFT measures against the increasing sophistication and complexity of money laundering. The re-revision was finalized and publicized in June 2003.

The new "40 Recommendations" contained following additional elements.

- Clear definition and expansion of scope of money laundering offense
- Risk sensitive customer due diligence through customer identification
- Countermeasures against the misuse of corporation
- Application of preventive measures to specified non-financial businesses (real estate agents, dealers in precious metals and stones) and professions (lawyers, accountants and other professionals)
- National and international cooperation among FIUs, supervisory authorities, law enforcement authorities and other governmental organizations handling issues related to money-laundering

b) The 9 Special Recommendations on Terrorist Financing

In October 2001, a month after the September 11th US terrorist attacks, FATF held an Emergency Session to discuss countermeasures against terrorism. The agreement of the session was reflected on "8 Special Recommendations" and made public. Since FATF added a new recommendation on "cash couriers" to this in October 2004, it is now called "9 Special Recommendations on Terrorist Financing." Main components of the 9 Special Recommendations are as follows:

- Criminalization of terrorist financing
- Requiring suspicious transaction reporting related to terrorist financing
- Requiring financial institutions to store and make available to authorities accurate and meaningful originator information (name, address and account number) of wire transfers

(3) Mutual Evaluations

FATF employs a peer review approach to encourage its members to implement recommendations. Member jurisdictions are evaluated by other members from various viewpoints such as law or regulation for anti-money laundering and terrorist financing, control regime and arrest for money laundering crime. Mutual evaluations on Japan were conducted twice in the past, in 1994 and 1998. The third round of mutual evaluations on Japan were conducted in 2008.(See section 4)

3 Participation of JAFIC in FATF

As one of the founding members of FATF, Japan has been a very active contributor to its work since its establishment in 1989. Japan chaired the plenary between July 1998 and June 1999 and the former FIU, The Japan Financial Intelligence Office (JAFIO) which had been established within the Financial

Services Agency, have participated in tri-annual plenary meetings and working groups on money laundering typologies. Even after FIU was transferred from JAFIO to JAFIC, JAFIC continued to actively participate in the discussion for New AML/CFT measures and sent several staff members to tri-annual plenary meetings in 2008. At the Third Mutual Evaluation of Japan, JAFIC has participated as part of Japanese government, and received reputation.

Moreover, JAFIC sent one representative as a member of the assessment team for the Mutual Evaluation of Korea in November 2008.

Paragraph2 APG

1 APG

APG (Asia/Pacific Group on Money Laundering) is an international cooperative body established in February 1997 at the FATF 4th Asia/Pacific Money-Laundering Symposium held in Thailand to promote anti-money laundering measures in non-FATF member jurisdictions in the Asia/Pacific region.

As of December 2008, the APG consists of 39 jurisdictions, including Japan.



APG Annual Meeting (Indonesia)

2 Activities of APG

The main activities of APG are as follows.

1. Promotion of compliance with FATF Recommendations in the Asia/Pacific region
2. Promotion of legislation on AML/CFT in the APG member jurisdictions
3. Mutual evaluations on APG member jurisdictions
4. Information exchange and analysis on the trend of money-laundering in the Asia/Pacific region

3 Participation of JAFIC in APG

Japan is one of the founding members of APG and has been actively contributing to APG, much as it has with FATF. For example, the first and second typologies meetings in March 1998 and March 1999 were held in Tokyo and Japan took the role of co-chair with Australia between July 2004 and June 2006.

This approach has not changed even after the function of FIU was transferred from JAFIO, and JAFIC has sent its staff members to the annual meetings and the typology meetings since its establishment. And in July 2008, the delegates participated in the annual meeting held in Indonesia and in the debates on the mutual evaluations of Canada, Singapore, Hong Kong, and other jurisdictions.

Furthermore, some staff members were also sent from JAFIC to the typologies meeting held in Sri Lanka in October 2008 to participate in the study on the best practice of information analysis at FIUs and on the latest modus operandi and trend of money laundering, and provided information such as presenting the results of analysis of recent cases on methods of money laundering misusing foreign trade payments.

Paragraph 3 Egmont Group

1 Egmont Group

The Egmont Group is an international forum established mainly by FIUs of several European nations and the United States in April 1995 with the goal of promoting cooperation, such as information exchange

and training, between FIUs around the world engaging in AML measures. The group is named after the Egmont castle where the first plenary session was held. Although the Egmont Group was established as an informal forum at beginning, it has become an internationally-recognized official body at present, through the adoption of the Egmont Group Charter at the May 2007 annual plenary in Bermuda and the establishment of its permanent Secretariat in Toronto, Canada. The Egmont Group consists of FIUs of 107 jurisdictions as of December 2008.

2 The Main Plenary Meeting of the Egmont Group

In addition to the annual plenary meeting in which representatives from all members of FIU attend, the Egmont Group has the following working groups, which hold meetings about three times a year respectively.

1. The Legal Working Group (LWG) which reviews the candidacy of potential members and handles all legal aspects and matters of principle within Egmont Group, including cooperation between FIUs
2. The Training Working Group (TWG) which identifies training needs and opportunities for FIU personnel, and conducts training seminars for Egmont members as well as for non-Egmont jurisdictions
3. The Outreach Working Group (OWG) which works to create a global network of FIUs by identifying candidates for membership and working with those countries to ensure that they meet international standards
4. The Operational Working Group (OpWG) which seeks to bring FIUs together on typologies development and long-term strategic analytical projects
5. The IT Working Group (ITWG) which provides advice and technical assistance to new and existing FIUs to develop, enhance, or redesign their IT systems, and examines new software applications that might facilitate analytical work

3 Participation of JAFIC in the Egmont Group

Upon establishing JAFIO within the Financial Supervisory Agency (later the Financial Services Agency) as a Japanese version of FIU, Japan applied for membership in the Egmont Group, and was granted it in May 2000 at the 8th annual plenary held in Panama. JAFIO actively participated in the activities of the Egmont Group. It sent personnel to working group meetings, as well as to the annual plenary meeting, and took part in the construction of the Egmont Group Charter. JAFIC also undertook the role of sponsor FIU (in co-sponsorship with the Thailand FIU) in the application procedures for Myanmar FIU, which is currently not yet an Egmont Group member. JAFIC took over the function of Japan's FIU from JAFIO by the partial enactment of the Act on Prevention of Transfer of Criminal Proceeds in April 2007, and was granted the Egmont Group membership as the new Japan's FIU at the 15th Annual Plenary Meeting held in Bermuda in May 2007. In 2008, the representatives were sent to a working group meeting in Chili in March, the annual meeting held in Korea in May, a working group meeting in Canada in



Egmont Group Annual Meeting (Korea)



On-site Visit of Mongol FIU

October, and participated in the discussions on the principles related to the exchange of information between FIUs, etc.

Moreover, JAFIC has taken over the role of sponsor FIU in the application procedures for the FIU of Myanmar into the Egmont Group, from the Japan Financial Intelligence Office (JAFIO). In 2008, Japan became a sponsor FIU for the FIU of Mongol, and carried out an on-site visit in Mongol in December 2008, as part of the application procedures for the FIU of Mongol into the Egmont Group.

Section3 Information Exchange with Foreign FIUs

Paragraph1 Establishment of the Framework for Exchange of Information

It will not be successful without the timely exchange of suspicious transaction information with FIUs of other countries, tracing criminal proceeds or terrorist financing across borders, to detect money laundering and terrorist financing.

On the other hand, according to the 2nd paragraph of Article 12 of the Act on Prevention of Transfer of Criminal Proceeds, JAFIC may disseminate STRs to foreign FIUs on condition that there is a framework governing how the foreign FIUs should use the disseminated information. The framework as above mentioned is called MOU (Memorandum of Understanding) in the field of the international exchange for FIUs such as Egmont Group. JAFIC has been coping with the negotiations for setting the framework for information exchange with numerous foreign FIUs in order to constructively exchange necessary information with them. Since its establishment of April 2007, JAFIC has agreed on such a framework, with the FIUs of 12 countries and regions with close geographical and economical relations (Hong Kong, Thailand, Malaysia, Belgium, Australia, the US, Singapore, Canada, Indonesia, the UK, Brazil and the Philippines) by the end of 2007. Moreover, in 2008, JAFIC has agreed on a framework with 5 countries (Switzerland, Italy, Portugal, South Korea and Romania).



MOU agreement with Korea FIU

Paragraph2 Status of Information Exchange with Foreign FIUs

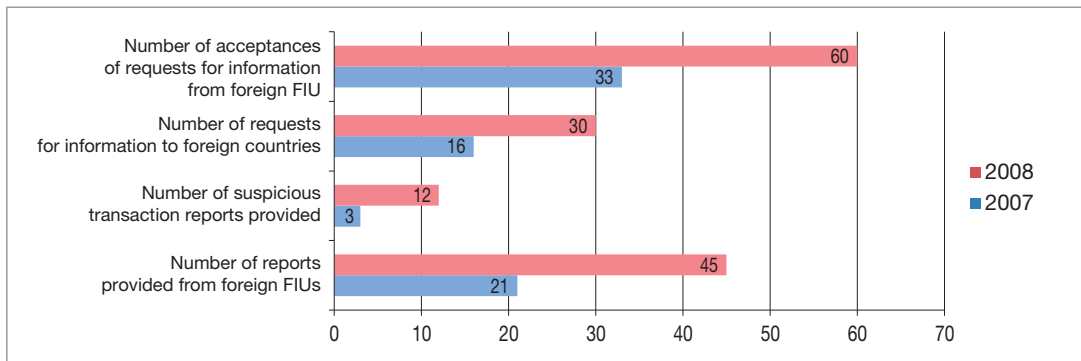
JAFIC exchanges suspicious transaction information with foreign FIUs positively and quickly.

The status of the information exchange with foreign FIUs in 2008 is shown in Table 5-1.

The number of requests for information to foreign FIUs, in particular, have been increasing, accompanying the improvement of the STR analysis system.

In 2008, JAFIC made 30 requests for further analysis to the relevant foreign FIUs for information, such as, the flow of suspicious funds remitted out of Japan, the source of remittance from abroad, etc.,. JAFIC has always successfully and rapidly obtained needed information that was requested, as well as such useful information as foreign entities' involvement, etc. from the requested FIUs.

Table5-1 Exchange of STRs with Foreign FIUs



For such a smooth exchange of information, JAFIC actively carries out various activities such as learning how to analyze information from foreign FIUs and how to review the status of funds information by foreign investigation agencies. JAFIC has also participated in meaningful discussions on the activation of the exchange of information from now, by visiting FIUs in countries and jurisdictions where there is a need for close coordination, especially in countermeasures against money laundering and terrorist financing, and countries and jurisdictions where there still is no framework for the exchange of information.

Achievements in 2008 are as follows;

- April Participation in the training session for measures against cash smuggling hosted by the FIU of Australia (AUSTRAC) (in Jakarta)
- August Information Exchange with the FIU of France (TRACFIN) (in Paris)
- September Information Exchange with the FIU of Hong Kong (JFIU) (in Hong Kong)
Information Exchange with the FIU of Macao (GIF) (in Macao)
- October Information Exchange with the FIU of England (SOCA) (in London)
Information Exchange with the FIU of France (TRACFIN) (in Paris)
- November Individual information exchange with the FIU of Hong Kong, Hong Kong police, at East Asia Regional Organized Crime Countermeasure Conference (in Tokyo)
Information Exchange with Taiwan FIU (MLPC) (in Taipei)
Participation in the South East Asia Financial Investigation Seminar held by the FIU of Hong Kong (in Hong Kong)
- December Participation in the training session for measures against cash smuggling hosted by the FIU of Australia (in Manila)
Information Exchange with the FIU of China (CAMLMAC) (in Beijing)
On-site Survey of the FIU of Mongol for its application to the Egmont Group (in Ulan Bator)

Note: locations of the meetings are in parentheses ()



Information Exchange with Hong Kong FIU



Information Exchange with China FIU

Section4 FATF Mutual Evaluation of Japan

Paragraph1 Implementation of the Third FATF Mutual Evaluation of Japan

The FATF Mutual Evaluation of Japan was conducted three times; the first and second round was in the past, and the third round was in late 2007 to late 2008 with JAFIC and related government agencies responding. The main process and procedure of the FATF Mutual Evaluation for assessed countries are: 1. response to the Mutual Evaluation Questionnaire (MEQ), 2. On-site visit to directly confirm the actual status by assessors, 3. discussion at the FATF Plenary meeting. Japan provided the response to the MEQ in January 2008, and underwent on-site visit in Tokyo and Osaka in March of the same year. In October 2008, at the Plenary meeting in Brazil, the third round of mutual evaluations for Japan was concluded. Since all Mutual Evaluation Reports (MER) and executive summaries are to be published, the results of the evaluation of Japan are also published on the FATF website (<http://www.fatf-gafi.org/>) and the Ministry of Finance website (http://www.mof.go.jp/jouhou/kokkin/fatfhoudou_201030.htm).

Paragraph2 Outline of the Results

For each of 49 Recommendations there are four possible levels of compliance, C (Compliant), LC (Largely Compliant), PC (Partially Compliant), NC (Non-Compliant). The results of Japan are shown in Table 5-2, C was received for 4 recommendations, LC for 19, PC for 15, and NC for 10 (Furthermore, Japan has one recommendation that did not apply (N/A)).

For the recommendation regarding the FIU (Financial Intelligence Unit, Recommendation 26), the need to further strengthen personnel was pointed out, but also was positively evaluated for FIU function being transferred to the National Public Safety Commission / National Police Agency (JAFIC) from the Financial Services Agency (Rating: LC).

For the recommendation regarding customer due diligence by financial institutions (Recommendation 5), assessors pointed out that the measures such as certification of beneficial owner and purpose of transaction, and ongoing customer due diligence, should be directly regulated by law, and the additional customer identification should be introduced on identifying without photograph (Rating: NC).

Paragraph3 Plans for the Future Schedule

For the procedures regulated by FATF, every 2 years after the discussion of their MER, assessed countries must provide an update to the FATF Secretariat describing the general statistics and new measures that have been adopted and implemented to deal with the identified deficiencies in relation to any of the FATF Recommendations that are rated PC or NC.

Also, Regular Follow up procedure will apply to assessed countries where six "core" Recommendations (Recommendation 1, 5, 10, 13 or Special Recommendation II or IV) are rated either PC or NC, and the assessed countries would report back to the Plenary and provide information on the actions it has or is taking to address the factors / deficiencies underlying any of the FATF Recommendations that are rated PC or NC two years after the MER is discussed. Where the Plenary agrees that the assessed country has implemented 16 Recommendations (core Recommendations, Recommendation 3, 4, 23, 26, 35, 36, 40, Special Recommendation I, III, and V) at a level essentially equivalent to a C or LC, the country will be removed from the follow-up process. FATF members are encouraged to make necessary improvements and to seek removal from the follow-up process within three years after the adoption of the MER

Regular Follow up procedure applies to Japan because of the Recommendation 5 rated NC and

Special Recommendation IV rated PC. Japan will report back to the Plenary and provide information on the actions it has or is taking to address the factors / deficiencies underlying Recommendations rated PC and NC in 2010, two years after the MER is discussed.

Table 5-2 Results of the Third FATF Mutual Evaluation of Japan

Recommendation	Outline of Recommendation	Rating	Recommendation	Outline of Recommendation	Rating
1	Money laundering offence	LC	25	Guideline & feedback	LC
2	Money laundering offence -mental element and corporate liability	LC	26	FIU	LC
3	Confiscation and provisional measures	LC	27	Investigation for money laundering and terrorist financing	LC
4	Secrecy laws consistent with the Recommendations	C	28	Power of competent authorities	C
5	Customer due diligence (financial institutions)	NC	29	Supervisory authorities	LC
6	Individuals who are or have been entrusted with prominent public function in a foreign country	NC	30	Resources, integrity and training	LC
			31	National cooperation	LC
7	Correspondent banking	NC	32	Statistics	LC
8	Misuse of new technologies & non face-to-face business	PC	33	Legal person-beneficial owners	NC
9	Rely on third parties and introducers for Customer due diligence	N/A	34	Legal arrangements (trust) - beneficial owners	NC
10	Obligation to maintain records of customer identification and transaction record	LC	35	Convention	PC
11	Obligation to pay special attention for unusual transaction	PC	36	Mutual legal assistance	PC
12	Customer due diligence by DNFBP (designated non-financial businesses and professions)	NC	37	Dual criminality	PC
13	Suspicious Transaction Report by financial institutions	LC	38	Mutual legal assistance on confiscation and freezing	LC
14	Obligation to protect reporter	LC	39	Extradition	PC
15	Obligation to maintain internal controls	NC	40	International cooperation (information exchange with foreign counterparts)	LC
16	Suspicious Transaction Report by DNFBP	PC	I	Implement United Nation instruments	PC
17	Sanction for non-compliance	LC	II	Criminalise terrorist financing	PC
18	Shell bank (bank incorporated in a jurisdiction in which it has no physical presence)	PC	III	Freeze and confiscate terrorist assets	PC
19	Other forms of reporting	C	IV	Suspicious transaction reporting related to terrorism	LC
20	Other DNFBP & secure transaction technique	C	V	International cooperation for terrorism	PC
21	Special attention for higher risk countries	NC	VI	Money/value transfer services	PC
22	Foreign branches & subsidiaries	NC	VII	Wire transfer rules	LC
23	Supervisory obligation for financial institutions	LC	VIII	Non profit organization	PC
24	Supervisory obligation for DNFBP	PC	IX	Cross border declaration & disclosure (Cash courier)	NC

Chapter 6

Money Laundering Trends

In order to take effective AML measures, it is necessary to understand the scale and modus operandi of actual money laundering activities. JAFIC keeps statistics on cases related to money laundering and STRs for this reason. This Chapter deals with cases where money launderers and other criminals were arrested and, as a result of that, deprived of criminal proceeds.

As explained in Chapter 2, the Act on the Punishment of Organized Crime criminalizes control of enterprises by illicit proceeds (Article 9), concealment of criminal proceeds (Article 10) and receipt of criminal proceeds (Article 11), whereas the Anti-Drug Special Provisions Law criminalizes concealment of drug related criminal proceeds (Article 6) and receipt of drug related criminal proceeds (Article 7).

Typical money laundering conduct such as remitting criminal proceeds to a place where lax regulations hamper tracing efforts and depositing them into a fictitious account are captured by these provisions. It is necessary to know how many arrest for money laundering and how much confiscate of criminal proceeds to understand results of our efforts. This chapter summarizes confiscation of criminal proceeds and securance measures.

Section1 Cases Cleared for Money Laundering Offences

Paragraph1 Cases Cleared for Money Laundering Offences under the Act on the Punishment of Organized Crime

1 The number of Cases Cleared

There were 173 cases (4 less than the previous year) cleared for money laundering offences under the Act on the Punishment of Organized Crime in 2008, including 1 case of control of enterprises by illicit proceeds (1 more than the previous year), 134 cases of concealment of criminal proceeds, such as (3 less than the previous year), and 38 cases of receipt of criminal proceeds (2 less than the previous year). The cumulative total of cases cleared since the enforcement of the law is 755 cases.

Table 6-1 Number of cases cleared for Money Laundering Offences under the Act on the Punishment of Organized Crime

	2000	2001	2002	2003	2004	2005	2006	2007	2008	Total
Management Control by Criminal Proceeds (Article 9)	0	0	0	0	0	0	1	0	1	2 (1)
Concealment of Criminal Proceeds (Article 10)	3 (1)	10 (5)	19 (9)	45 (25)	50 (29)	65 (21)	91 (18)	137 (35)	134 (41)	554 (184)
Receipt of Criminal Proceeds (Article 11)	0 (0)	2 (2)	9 (7)	11 (10)	15 (11)	42 (27)	42 (35)	40 (25)	38 (21)	199 (138)
Total	3 (1)	12 (7)	28 (16)	56 (35)	65 (40)	107 (48)	134 (53)	177 (60)	173 (63)	755 (323)

*The numbers in brackets represent the number of cases in which Boryokudan members were involved. (known to the National Police Agency)

When considering the violations of money laundering by each alleged offence according to the Act on the Punishment of Organized Crime, “black market finance” offences, such as violations of the Investment Law and the Money Lending Business Law were the most common with 65 cases, followed by 39 cases of fraud such as “Furikome” fraud, and 16 cases of distribution offences of obscene objects; in violation of the Law for Punishing Acts on Child Pornography, and 11 cases of opening a gambling place for profit and / habitual gambling. The same as last year, “black market finances” offences and fraud such as “Furikome” fraud were the two top ranking crimes with a total of 104 cases, and comprised approximately 60% of all money laundering offences. This shows that the source of criminal proceeds is from both of these crimes. (Furthermore, please refer to Paragraph 2 of this section regarding the number of cases for money laundering under the Anti-Drug Special Provisions Law)

2 Modus Operandi of Money Laundering observed in Cleared Cases

(1) Examples of Concealment of Criminal Proceeds

In 2008, types of cases of concealment of criminal proceeds included the following,

- A case of systematic product scam using counterfeit credit cards to sell fraudulent goods.
- Victims deceived by a “Furikome” fraud group deposited fraud money into an account, and then suspect transferred the money to a different account using mobile banking from a cellphone (Case 1).
- Money obtained from a investor under the invest name of a foreign exchange marginal transaction was transferred to an account under the name of related third party (Case 2).
- A “black market finance” has the loanee to deposit interest into an account under another person’s name, and conceals the withdrawal from that account into a safe deposit box under the name of a company owned by an accomplice (Case 4).

These situations show the various modus operandi used to evade investigation agencies.

Furthermore, a common aspect of concealment by a “black market finance” or “Furikome” fraud is having the loanee and fraud victim deposit money into a bank account under another person’s or a fictitious name. Also, using accounts in the name of another, etc., is still the main infrastructure of money laundering for non-face-to-face “black market finance” and “Furikome” fraud.

[Case 1] (Concealment of criminal proceeds by “Furikome” fraud)

The suspect provided an account with mobile banking (bank transactions can be conducted by cell phone) to a “Furikome” fraud group, to be used in order to transfer deposits of fraud money. The suspect planned to commandeer the money deposited into the account by the victims first. He commandeered a total of approximately 30,000,000 yen in 88 cases over a period from August 2004 to April 2008, by methods including transferring the money to an illegally obtained and managed account under another person’s name, after confirming that the money was deposited into the account by mobile banking. He was arrested under the Act on the Punishment of Organized Crime (charged with concealment of criminal proceeds, etc.).

(September, Okayama Pref. Police)

[Case 2] (Concealment of Criminal Proceeds under a fraudulent investment name such as Foreign Exchange Marginal Transaction, etc.)

The suspect, calling himself a fund coordinator, purchased and sold foreign exchange (foreign money) on the security of certain amount of margin (earnest money) in number of times the amount of earnest money. He solicited the investment idea that a large profit could be gained by publishing a fictitious investment business name on a website on the Internet. He was arrested for violation of Act on the Punishment of Organized Crime (charged with concealment of criminal proceeds, etc.) since the money received from the investors was deposited into an account under the name of a related third party

(February, Osaka Pref. Police)

[Case 3] (Concealment of Criminal Proceeds by systematic fraud under precious metal spot security deposit transactions)

A company manager conducting precious metal spot security transactions, solicited customers in violation of the law regarding specific business transactions. After conducting accounting procedures that he deposited mixed money amount to 400,000,000 yen obtained from 140 clients with the bank credit into an account which was actually managed by another company, for the purpose of a security deposit Loco-London scam, he made the general ledger and closing statements of the company as if “deposit money” showed a loss of more than 300,000,000 yen through net settlement transactions between the companies. These closing statements, etc., were attached to the corporate tax return submitted to the presiding tax office, which led to arrest for violation of Act on the Punishment of Organized Crime (charged with concealment of criminal proceeds, etc.).

(November, Chiba, Nagano Pref. Police)

[Case 4] (Concealment of Criminal Proceeds in violation of the “Black Market Finance” Investment Law (high interest rate) / Money Lending Business Law(non-registered))

The suspects, a couple along with others, ran a store-less black market finance (so-called 090 Finance). They loaned money to approximately 1,200 private business owners and heavy debtors at high interests exceeding the legal interest rate. From January 2001 to May 2008 the couple had loanees deposit a total of approximately 250,000,000 yen as loan interest into an account under the name of the couple’s son, withdrew 27,000,000 yen in cash from the account, and deposited into a safe deposit box in Shinkin bank, contracted under the company name of a former loanee, in conspiracy with him. They were arrested for violation of Act on the Punishment of Organized Crime (charged with concealment of criminal proceeds, etc.).

(July, Osaka Pref. Police)

(2) Examples of Receipt of Criminal Proceeds

In 2008, types of cases of receipt of criminal proceeds were received directly or deposited into an account managed by the receiver included the following examples,

- A case where “blank-ROM” cell phones (cell phones with the IC chip (SIM card) that holds the telephone number information, etc., removed) which are used in “Furikome” fraud, were purchased by persons involved in fraud activities with the purpose of resale.
- A case where criminal proceeds related to the provision of places for prostitution were received from adult-entertainment shops located in the nightlife district that were affiliated with the food and restaurant industry union, under the pretence of a union fee, (Case 5).

[Case 5] (Receiving Criminal Proceeds under the pretense of a union fee in violation of the Anti-Prostitution Law)

Representative directors of the food and restaurant industry union, which is affiliated with adult-entertainment shops in the nightlife district, collected cash under the name of a union fee from owners of the affiliated adult-entertainment shops, knowingly that such were criminal proceeds obtained through the provision of places for prostitution in the adult-entertainment shops. The representative directors of the union were arrested for violation of Act on the Punishment of Organized Crime (charged with concealment of criminal proceeds, etc.), and the union was charged by applying Article 17 of the Act on the Punishment of Organized Crime.

(November, Fukuoka Pref. Police)

3 Money Laundering by Members of the Boryokudan, etc.

There were totally 63 cases (3 more than the previous year) cleared for money laundering offences involving members of the Boryokudan (36.4% of all cases) under Act on the Punishment of Organized Crime in 2008, including 1 case for violation of control of enterprises by illicit proceeds (1 more than the previous year), 41 cases of concealment of criminal proceeds (6 more than the previous year), and 21 cases of receipt of criminal proceeds (4 less than the previous year).

In type of money laundering by members of the Boryokudan, concealment of criminal proceeds offences were 30.6%, while receipt of criminal proceeds violation were 55.3%. This shows that the percentage of receipt offence involving members of the Boryokudan is increasing.

In type of predicate offences of money laundering involving members of the Boryokudan, main offences were “black market finance” in 26 cases, fraud such as “Furikome” fraud in 11 cases, opening a

gambling place for profit and habitual gambling in 9 cases, and distribution of obscene material and violation of Child Pornography Prevention Act in 6 cases, and were related to various offences such as violation of the Pharmaceutical Law, the Copyright Law, and the Worker Dispatch Law. This shows that members of the Boryokudan conduct money laundering offences involving in various offences.

(1) Criminal Proceeds by “black market finances” and the Boryokudan

40% of the cases cleared for money laundering related to “black market finances” during 2008 were involved in members of the Boryokudan. Examples of sophisticated method of concealment of criminal proceeds are as follows;

- A case where a member of the Boryokudan ran a “black market finance.” On receipt of the interest at illegal high interest rate, he made loanees deposit money into an account under another person’s name managed by him (Case 6).
- A case where a member of the Boryokudan lends money for a recipient of pension on the account passbook as collateral and makes money automatically transferred from the account of recipient to an account under another person’s name managed by the member of the Boryokudan.

[Case 6] (Concealment of Criminal Proceeds in Violation of the Investment Law (very high interest rate) / Money-lending Business Law (unregistered))

The executive members of the Boryokudan affiliated with the Yamaguchi Gumi, which runs store-less “black market finance” (so-called 090 finance) lent money totally of 150,000,000 yen to approximately 300 loanees at high interest rates exceeding 70 times of the legal rate, and made the loanees deposit some of the interest into an account under name of a friend of the members managed by them. The members were arrested in violation of Act on the Punishment of Organized Crime (charged with concealment of criminal proceeds, etc.).

(March, Aichi Pref. Police)

(2) Criminal Proceeds by “Furikome” fraud, etc., and the Boryokudan

28.2% of the cases cleared for money laundering related to “Furikome” fraud, etc. during 2008 were involved in members of the Boryokudan. In “Furikome” fraud, a member of the Boryokudan has the victim deposit money into an account, which is under another person’s name managed by a member of the Boryokudan, in order to conceal the received criminal proceeds, under various terms such as unpaid credit settlement, adult website member registration renewal or withdrawal, repayment of a loan by relatives of the victim to the “black market finance” to purchase stock.

[Case 7] (Concealment of Criminal Proceeds by “Furikome” Fraud (“Ore-Ore” Fraud))

An executive member of the Boryokudan affiliated with the Yamaguchi-Gumi introduced Japanese for disguising as police officers or representatives of the Japanese Bankers Association and visiting a victim under the term of notification of the forged cash card to cheat the victim out of the cash card to Chinese “Furikome” fraud group who use such method. The Japanese who was introduced by the Boryokudan deposits money as a referral fee into an account under another person’s name managed by the executive member. The suspect was arrested for violation of Act on the Punishment of Organized Crime (charged with concealment of criminal proceeds, etc.).

(September, Tokushima Pref. Police)

(3) Examples of receipt of criminal proceeds by members of the Boryokudan

Of cases cleared for receipt of criminal proceeds, etc., by members of the Boryokudan in 2008, there were 7 cases of opening a gambling place for profit and habitual gambling, 4 cases of fraud, 3 cases in violation of Anti-Prostitution Law, 2 cases of distribution of obscene material, 2 cases of black market finance, 1 case of blackmail, 1 case of corporate fund embezzlement, and 1 case in violation of the Horse Racing Law, Bicycle Racing Law, and Motorboat Racing Law.

Examples of the types of receipt of criminal proceeds include,

- A case of receiving so-called Mikajimeryo (protection money) from owners of establishments of baccarat gambling using playing cards.
- A case of receiving referral fees from a fraud group using the credit guarantee system intended for small to medium size businesses in financial institutions (Case 8).
- A case of receipt of criminal proceeds by handing over cash from Mikajimeryo (protection money) from the black market finance companies which run store-less black market finance (so-called 090 finance).

These show that the Boryokudan receives criminal proceeds by collecting money under the name of Mikajimeryo or a referral fee.

[Case 8] (Receipt of Criminal Proceeds related to cases of fraud using the credit guarantee system intended for small to medium size businesses)

An executive member of the Boryokudan affiliated with Inagawa-Kai, introduced corporations as recipients of financial loans to a fraud group which obtains money from finance institutions under the pretense of establishing a business fund for the corporations, using the credit guarantee system intended for small to medium size businesses. The member then took part of the money from the fraud group, which had received money for the corporations from the financial institutions using the credit guarantee system, and made the corporations deposit some of criminal proceeds in an account under his own name. He was arrested for violation of Act on the Punishment of Organized Crime (charged with receipt of criminal proceeds, etc.).

(January, Kanagawa Pref. Police)

4 Money Laundering committed by Foreign Visitors to Japan

Of cases cleared for money laundering under the Act on the Punishment of Organized Crime in 2008, there were 8 cases involving foreign visitors to Japan (1 more than the previous year), representing 4.6% of all cases. In type of money laundering, these cases included 6 cases of concealment of criminal proceeds (1 less than the previous year), and 2 cases for receipt of criminal proceeds (2 more than the previous year). In types of predicate offences of money laundering involving foreign visitors to Japan, there were 3 cases of theft, 2 cases of credit card fraud, and 1 case each of forgery of an official document with signature or seal and violation of the Trademark Law and Pharmaceutical Law. One case cleared by the Metropolitan Police, Aichi, Shizuoka, Hokkaido, and Miyagi Prefectural Police involved legal residents in collusion with Chinese brokers secretly engaging in activities in Japan. The suspects sold counterfeit foreign resident's registration cards to Chinese illegal immigrants and illegal residents in Japan, and deposited a large sum of criminal proceeds into an account under the name of another person (Case 9). Money laundering was carefully conducted by sending and receiving money between accounts under the names of other persons.

[Case 9] (Concealment of Criminal Proceeds by forgery of an official document with signature or seal, by Chinese, etc.)

A Chinese couple with investment / business residence status, ran an agency company for exchange and enrolled students and made counterfeit foreign resident' registration cards. The suspects colluded with Chinese brokers secretly engaging in activities selling counterfeit foreign resident's registration cards to Chinese illegal immigrants and illegal residents. A workplace to make counterfeit foreign resident's registration cards was found in the residential apartment of the suspects. The documents were forwarded to selling bases of the broker, and the same broker deposited the proceeds from the sale of the counterfeit foreign resident's registration cards as the counterfeiting payment (criminal proceeds) into an account managed by the couple through an account under a Chinese name managed by the broker. The Chinese couple and the broker as accomplice were arrested for violation of Act on the Punishment of Organized Crime (charged with concealment of criminal proceeds, etc.).

Furthermore, this Chinese couple and the broker sold approximately 20,000 faked foreign resident's registration cards and obtained approximately 200,000,000 yen during a period from July 2004 to February 2008. The modus operandi of their money laundering included regularly changing the sending and receiving accounts at the same time at a constant frequency, in order to avoid detection. The criminal proceeds were re-invested into a fund for the purchase of materials used in the production of the counterfeit foreign resident's registration cards.

(April, Metropolitan Police Dept. Aichi, Shizuoka, Hokkaido, and Miyagi Pref. Police)

Paragraph 2 Outline of Cases Cleared for Money Laundering Offences under the Anti-Drug Special Provisions Law

There were 12 cases cleared for money laundering under the Anti-Drug Special Provisions Law in 2008. 10 among them were related to disguise or concealment of drug related criminal proceeds, etc. (5 more than the previous year) and 2 were for receipt of drug related criminal proceeds, (same as the previous year), bringing the total number of cleared cases since 2000 to 54.

Table 6-2 The number of cases cleared for the crime of money laundering under the Anti-Drug Special Provisions Law

	2000	2001	2002	2003	2004	2005	2006	2007	2008	Total
Concealment of Narcotics related criminal proceeds (Article 6)	2 (1)	3 (0)	0 (0)	8 (2)	5 (3)	3 (2)	5 (3)	5 (4)	10 (4)	41 (19)
Receipt of Narcotics related criminal proceeds (Article 7)	0 (0)	0 (0)	0 (0)	2 (2)	0 (0)	2 (2)	5 (2)	2 (1)	2 (1)	13 (8)
Total	2 (1)	3 (0)	0 (0)	10 (4)	5 (3)	5 (4)	10 (5)	7 (5)	12 (5)	54 (27)

*The numbers in brackets show the number of cases in which Boryokudan members were involved. (known to the National Police Agency)

Section 2 Deprivation of Criminal Proceeds

It is important to eliminate criminal proceeds in order to prevent their use for the maintenance and expansion of criminal syndicates, and their investment in future criminal activities. The confiscation and collection of criminal proceeds are to be ordered by the court. In order to ensure that the criminal proceeds are not concealed or spent before the order is given, police are actively seeking pre-indictment confiscation security orders as provided in the Act on the Punishment of Organized Crime and the Anti-Drug Special Provisions Law.

Paragraph 1 Confiscation and Collection under the Act on the Punishment of Organized Crime

1 Application for Provisions of Confiscation and Collection

How provisions related to confiscation and collection under the Act on the Punishment of Organized Crime were applied in a trial court is shown in the following figure, Figure 6-3.

Table 6-3 Outline of the application of confiscation and collection provisions under the Act on the Punishment of Organized Crime in normal first trials

Year	Confiscation		Collection		Total	
	People	Amount	People	Amount	People	Amount
2003	8	4,278	20	144,397	28	148,675
2004	15	69,804	22	504,806	37	574,610
2005	18	70,138	54	816,175	72	886,313
2006	27	154,723	75	3,408,638	102	3,563,362
2007	29	104,088	67	785,038	96	889,126

Note 1: Data is based on the White Paper on Crime.

Note 2: Amounts are in thousands of yen (with amounts fewer than one-thousand yen rounded down).

Note 3: When confiscations and collections were ordered in duplicate for accomplices, the number is a total of all amounts and offenders.

2 Pre-indictment Confiscation Security of Criminal Proceeds, etc.

Pre-indictment confiscation security orders were issued 44 times (23 more than the previous year), in accordance with the provision of Article 23 of the Act on the Punishment of Organized Crime, for a cumulative total since the enforcement of the law of 105 orders.

In type of predicate offence of money laundering, there were 10 cases of opening a gambling place for profit, 8 cases of black market finance, 4 cases each of distribution of obscene objects, etc., in violation of the Pharmaceutical Law, and the Worker Dispatch Law, 3 cases each in violation of the Lawyers Law and Waste Management and Public Cleansing Law, 2 cases each of fraud such as "Furikome" fraud and in violation of the Anti-Prostitution Law, and 1 case each of theft, of receiving stolen goods and in violation of Trademark Law and Copyright Law. The reason why the number of orders more than doubled over the last year is that confiscation and collection of equivalent value of crime victim property involving crimes such as "Furikome" fraud, black market financing, theft, and receiving stolen goods, which previously could not be conducted, are now possible due to the enactment of a revision to the Act on the Punishment of Organized Crime effective December 1 2006, and application of the regulation in Article 13 Paragraph 3 (confiscation of crime victim property). The pre-indictment confiscation security order regulated by the Act on the Punishment of Organized Crime is a countermeasure that has provided judicial police officers with the authority to recover criminal

proceeds. The police should deter the use of criminal proceeds by criminal organizations in coordination with Public Prosecutor's Office with these procedures.

Moreover, the police should make application actively for a pre-indictment confiscation security order and ensure enforcement of judgement for confiscation in order to contribute to the recovery of crime victim property by the public prosecutor under the "Act on the Provision of Compensation for Crime Victim Property, etc."

Examples of cases for which the pre-indictment confiscation security orders were issued include,

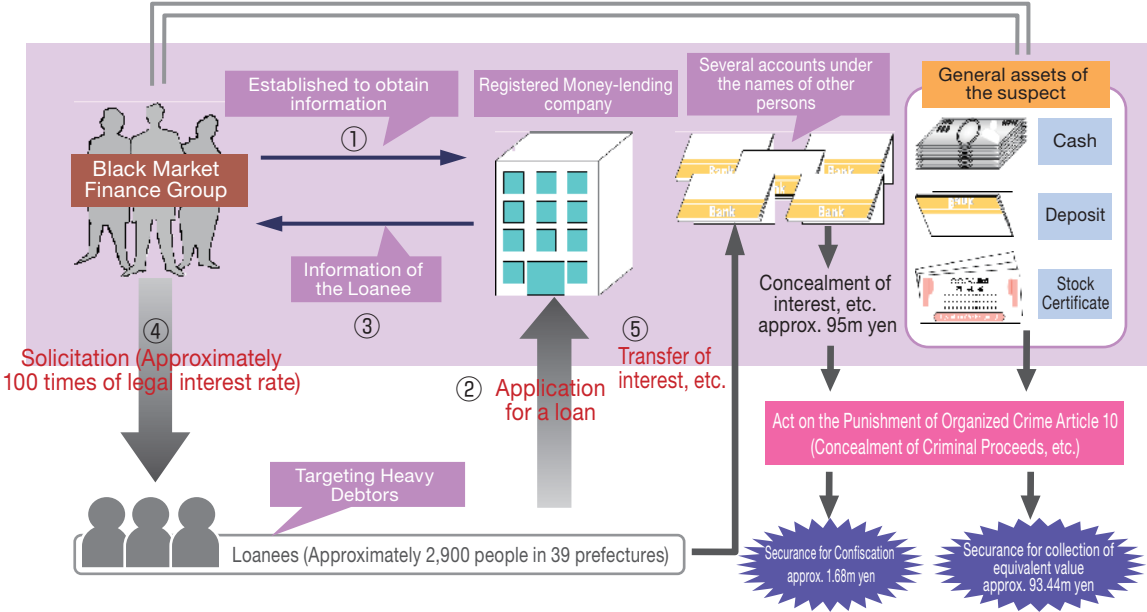
- A case for criminal proceeds related to the black market finance offences (Case 10),
- A case for criminal proceeds involving crime victim property related to grand larceny (sneak thief) (Case 11).
- A case for criminal proceeds related to violation of the Lawyers Law by representatives of the real-estate brokerage company who were requested by a real estate company listed on the second section of the Tokyo Stock Exchange to negotiate the eviction of residents of the building owned by the real estate company (Case 12).

[Case 10] (Pre-indictment confiscation security orders for criminal proceeds by black market finance in violation of Investment Law (very high interest) / Moneylending Control Law (unregistered))

While a black market finance group registers as a money-lending business in order to obtain client information such as persons with heavy debt in Japan, those in the group used this information to conduct black market financing targeting heavy debtors who cannot borrow from others, and lent money at very high interest rates exceeding 100 times of the legal interest rate to approximately 2,900 people, and made the loanees deposit a total of approximately 95,000,000 yen as part of the interest of the loans, into several accounts under another person's name managed by the group. After arrest for violation of Act on the Punishment of Organized Crime (charged with concealment of criminal proceeds, etc.), a pre-indictment confiscation security order was issued for the approximately 1,680,000 yen deposit credit (crime victim property) remaining in the account under the name of another person, which are criminal proceeds received by black market finance.

Furthermore, based on the seized documents, etc., the general assets of the black market financing group could be specified and documented, resulting in the issuance of an additional security order by the public prosecutor for approximately 93,440,000 yen, including capital stock certificates, bank account credits, and cash held by the black market finance group.

(September, Fukuoka Pref. Police)



[Case 11] (Pre-indictment confiscation security orders for criminal proceeds relating to grand larceny (sneak thief))

In the case of grand larceny (sneak thief) by some members of the Boryokudan affiliated with Yamaguchi Gumi, the suspect who was a repeat offender deposited 17,000,000 yen in cash as part of the money stolen. After arrest, a pre-indictment confiscation security order was issued for this bank account credit.

(March, Kumamoto Pref. Police)

[Case 12] (Pre-indictment confiscation security orders for criminal proceeds related to violation of the Lawyers Law (non-lawyer activity))

Representatives of a real-estate brokerage company were consigned by a real estate company listed in the second section of the Tokyo Stock Exchange, to negotiate the eviction of residents living in the building owned by the real estate company. After negotiating the eviction with the intent of receiving a reward although not possessing a lawyer certification, the representatives of the real-estate brokerage company were arrested for violation of Lawyers Law. A pre-indictment confiscation security order was issued for a bank account credit of 93,000,000 yen as criminal proceeds from the real estate company, which were received as reward for eviction negotiations, under the name of the real-estate brokerage company.

(March, Metropolitan Police Dept.)

Table 6-4 The amounts and number of incidents of pre-indictment confiscation security order issued under the Act on the Punishment of Organized Crime

2000	2001	2002	2003	2004	2005	2006	2007	2008	Total
3 (1)	1 (1)	5 (4)	7 (3)	7 (5)	8 (0)	9 (3)	21 (7)	44 (21)	105 (45)

*The numbers in brackets show the number of cases in which Boryokudan members were involved. (known to the National Police Agency)

Year	Total amount of money and credit	Other
2000	¥3,590,620	
2001	¥768,500	
2002	¥4,304,999	
2003	¥12,809,068	Land 6,600m ²
2004	¥12,079,511	
2005	¥564,953,561	
2006	¥52,680,512	
2007	¥268,801,546	
2008	¥314,239,728	
Total	¥1,234,228,045	Land 6,600m ²

Paragraph2 Confiscation and Collection under the Anti-Drug Special Provisions Law

1 Application for Provisions of Confiscation and Collection

The following shows how the confiscation and collection related provisions of the Anti-Drug Special Provisions Law were applied in a trial court, Figure 6-5.

Table 6-5 Outline of the application of confiscation and collection provisions of the Anti-Drug Special Provisions Law during normal first trials

Year	Confiscation		Collection		Total	
	People	Amount	People	Amount	People	Amount
2003	47	36,539	304	1,541,756	351	1,578,295
2004	75	583,372	329	3,270,608	404	3,853,980
2005	39	64,332	316	3,513,785	355	3,578,117
2006	62	133,441	373	2,372,788	435	2,506,229
2007	53	207,411	285	2,216,634	338	2,424,045

Note 1: Data is based on the White Paper on Crime.

Note 2: Amounts are in thousands of yen (with amounts fewer than one-thousand yen rounded down).

Note 3: When confiscations and collections were ordered in duplicate for accomplices, the number is a total of all amounts and offenders.

Note 4: Foreign currencies were converted to Japanese yen at the exchange rate current at the time of the ruling.

2 Pre-indictment Confiscation Security Order of Drug Proceeds

Pre-indictment confiscation security orders were issued 7 times under the Anti-Drug Special Provisions Law in 2008. The total number of such cases is 48 since the law was enforced.

Table 6-6 The amounts and number of pre-indictment confiscation security orders issued under the Anti-Drug Special Provisions Law

2000	2001	2002	2003	2004	2005	2006	2007	2008	Total
2 (0)	4 (1)	7 (3)	8 (2)	5 (2)	8 (5)	3 (2)	4 (3)	7 (5)	48 (23)

*The numbers in brackets show the number of cases in which Boryokudan members were involved. (known to the National Police Agency)

Year	Total amount of money and credit	Other
2000	¥17,555,489	
2001	¥7,856,074	
2002	¥305,619,061	
2003	¥47,839,109	
2004	¥67,440,983	
2005	¥92,619,024	
2006	¥10,432,915	
2007	¥45,032,829	
2008	¥23,344,267	
Total	¥617,739,751	

[Case 13] (Pre-indictment confiscation security orders for the postal savings account used by a drug dealers)

A drug dealer received approximately 8,000,000 yen by smuggling a total of approximately 3,895g of drugs from June to September 2008. The suspect was arrested for violation of Stimulant Drug Control Law (import), etc. A pre-indictment confiscation security order under the Anti-Drug Special Provisions Law was issued for the regular postal savings account (approximately 7,900,000 yen of the remaining amount) under the suspect's name, which were considered to be the profits of the said drug smuggling.

(December, Chiba Pref. Police)

