THAILAND NATIONAL RISK ASSESSMENT ON MONEY LAUNDERING, TERRORISM FINANCING AND PROLIFERATION OF WEAPONS OF MASS DESTRUCTION FINANCING

ANTI-MONEY LAUNDERING OFFICE

WITH

THAMMASAT UNIVERSITY RESEARCH AND CONSULTANCY INSTITUTE

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As a member of the Asia-Pacific Group on Money Laundering (APG), Thailand has a mission to comply with the International Standards on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CTF) of the Financial Action Task Force (FATF). In accordance with the FATF recommendations, Thailand has to implement an appropriate legal framework and effective control measures against ML/TF/PF, which the country would ensure that the country’s framework, control measures, and implementation of the international standard are appropriately response to country’s context and situation. In addition, Thailand has to participate in periodic evaluation of the compliance, following the FATF recommendations.

In FATF Recommendation 1, countries are required to carry out a risk assessment on ML/TF/PF in order to identify, assess, and understand ML/TF/PF risk factors for the country, and apply resources aimed at ensuring the risks are mitigated effectively. Based on the assessment, countries would ensure that the legal framework, policy, deployment, and control measures are commensurate with the risk identified. In 2022, Thailand has undertaken the third National Risk Assessment (NRA), following the first and second assessments in 2012 and 2016 respectively. This is the first assessment which includes the scope of proliferation financing (PF) assessment, following the newly amended FATF Recommendation 1.

Anti-Money Laundering Office
August 2022
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CHAPTER 1
An Overview of ML/TF/PF in THAILAND

In accordance with FATF recommendations on a risk-based approach for Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation (AML/CTF/CPF), Thailand has conducted two National Risk Assessments (NRA) on money laundering (ML) and terrorism financing (TF) in 2012 and 2016 respectively. In 2022, Thailand has undertaken a new National Risk Assessment with an additional assessment on Proliferation of Weapons of Mass Destruction Financing (PF).

From the previous assessments to date, Thailand has faced changing circumstances and situations which could greatly affect the country’s risk of ML/TF/PF such as: dramatic changes on crime during and after COVID-19 pandemic; a new emphasis of government policy on technological innovation and development which led to a more variety of financial products possibly facilitating money launderers; a great expansion of online market and delivery services where criminals are convenient to covert or promote their criminal activities; a ceasefire between Myanmar government and ethnic minorities in the Golden Triangle area (a world’s largest drugs production) before Myanmar coup d’état and the economic growth in the Southeast Asia and South Asia that brought about foreign drugs tycoon coming to involve with drug production and smuggling network; the Myanmar coup d’état which exacerbate cross-border arms smuggling; and the crackdown of Islamic State (IS)’s terrorists in Iraq and Syria that causes terrorist fighters return to their home countries but not lessening the global terrorism from a widespread supporting activities and movements in many countries all over the world etc.

The National Risk Assessment provides a comprehensive review on current situations and circumstances. It starts from the introduction background of the country by the presentation of geographic location, population, language, government structure, the administration system. Then, the report summarizes Thailand’s legal system and law enforcement in concerning AML/CTF/CPF. It would provide an understanding on the complexity of country’s legal aspects where AML/CTF/CPF control measures are prescribed in many laws implemented by many legal authorities. After the introduction on the country background and legal system, the report also analyzes important contexts which might lead to changing situation on the ML/TF/PF risks including economic system and technological system.

Geographical Location
Thailand is located in Southeast Asia and is the 50th largest in the world. Thailand has an area of approximately 513,120 square kilometers. The border between Thailand and neighboring countries is approximately 5,656 kilometers alongside with Cambodia, Laos, Myanmar, and Malaysia and the border coastline covers 23 provinces with the total length of 3,151 kilometers.
Thailand has a natural border channel and a long coastline that facilitates the movement of people, goods, cross-border trade, and funds into and out of the country as well as an opportunity of crime such as drug trafficking, human trafficking, immigrant labour and sex worker smuggling, customs offense, and wildlife trade etc.

In addition, the Thai border facilitates a large scale of tourist movement and border trade and a hideout or shelter for fugitive criminals. In the southern border provinces, there have been conflicting violent incidents from people who have different opinions and ideologies from the state. However, these incidents are committed by small dissident groups. Their movement cannot be regarded as the international terrorist movement or armed conflict.

Thailand is also a foreign traveler hub and a top tourist destination. A growing number of foreigners have traveled to Thailand. The immigration statistics reported that in 2019 before the Covid-19 pandemic, there were 45,090,253 inbound foreign visitors and 44,693,688 outbound foreign visitors. Even in 2020 during the pandemic and country lock down, the number of foreign travelers was still high at 8,160,043 inbound visitors and 9,356,901 outbound visitors.\(^1\)

It is undeniable that among the large number of foreigners, there is a chance of foreigner in committing crime, hideout, transiting of illicit goods or financial flows to other destinations, and the placement of money laundering.

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**GEOGRAPHICAL LOCATION**

<table>
<thead>
<tr>
<th>Border Length</th>
<th>Countries</th>
</tr>
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<tbody>
<tr>
<td>5,656 KM</td>
<td>Myanmar, Laos, Cambodia, Malaysia</td>
</tr>
<tr>
<td>3,151 KM</td>
<td>Covering 23 provinces</td>
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**THE NUMBER OF PEOPLE TRAVELING INTO OR OUT OF THAILAND**

<table>
<thead>
<tr>
<th></th>
<th>Inbound</th>
<th>Outbound</th>
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<tbody>
<tr>
<td>Pre-pandemic (2019)</td>
<td>45,090,253</td>
<td>44,693,688</td>
</tr>
<tr>
<td>During Pandemic (2020)</td>
<td>8,160,043</td>
<td>9,356,901</td>
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**Population**

The total population of Thailand is 66,174,731. Around 48.9 percent (32,345,524) are male, and 51.1 percent (33,828,179) are female. The population of older persons (aged over 60) stands at 11,293,387 (17.0%).\(^2\) As a result, Thailand has already become an aging society with more elders over age 60 than youngsters under age 15. From World Migration Report,

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\(^1\) Foreign Traveler Statistics, The Immigration Bureau

\(^2\) Population Statistics for Civil Registration, Office of Registration Administration, Department of Provincial Administration
Thailand has the highest transnational labor migration in ASEAN countries and is the 17th highest in the world. Most of the transnational migrant workers are from neighboring countries (Laos, Cambodia, Myanmar) while Thai labor migration flows to higher-income countries such as South Korea, Middle East, and European countries. Although most migrant workers in the country work legally through migration scheme, illegal labor migrations are repeatedly detected.

The vast majority of Thailand’s population are Thai ethnics, but there are other ethnic communities such as hill tribe people living in the country’s northern and western highlands; sea dwelling tribes in the South, including Moken, Moklen, and Urak Lawoi. Two other ethnic communities with long history in Thailand are Sakai and Mlabri. Parts of these tribal, marginalized minorities live in distant areas without any legal status and have no access to public welfare, education, job, and land ownership; hence they are underprivileged and vulnerable to right violations, easily becoming target of criminal networks’ illegal exploitations: unlawful recruitment, prostitution, and corruption on fake nationality registration documentation.

93.5% of Thai population is Buddhism, 5.4% is Muslim, and 1.1% is Christian. The remainder of the population has other religious practices while less than 0.1% is atheistic. As most of Thais are Buddhist and strongly believe in charitable donations, the value of donated money circulation in Buddhist temples and other religious bodies is quite high. The National Statistics Office found that, in 2017, Thai households spent over 130 billion Baht in total on religious supports, considerably increased from 94 billion Baht in 2009. Thailand has no major religious conflicts that would escalate into destructive event or civil war, but there are some dissident groups in Southern border provinces.

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5 Statistics on Religion, Art, and Culture, National Statistics Office
Language

Thai is the national and official language. It has been widely spoken throughout the country. The written Thai inscriptions are used for standard writing system. Other languages spoken include Chinese (especially Teochew dialect), Malay, and several ethnic languages.

Government Structure

Thailand is a national state under the constitutional monarchy in which the monarch is the head of state who exercises the state authorities in accordance with constitutional democracy. The sovereign power is exercised by the bicameral National Assembly, the Government, and the Court. The National Assembly, or “the Parliament,” is the legislative branch of the state responsible for law making and adoption. The Government, or “the Cabinet,” is the executive branch of the state carrying out governmental policies and administering state affairs. The judicial branch of the state, or “the Court” system, comprises of independent bodies who apply, interpret, and determine the terms of the law in any case of conflict.

The Administration System

The administration system is divided into three levels: central, provincial, and local.\(^6\)

The central administration is led by the central government, located in the capital city of Bangkok. The central government has full authority and the administrative management over the country nationwide. The central government consists of 20 ministries including Office of the Prime Minister and 19 ministries, together with 165 departments or equivalent offices under either each ministry or under direct control of the Prime Minister. In addition, there are other public agencies in the central administration including 55 state enterprises, 60 public organizations, 88 state universities, 2 service delivery units, and 7 non-ministerial government agencies.

At the provincial level, each province has a governor and officials who are appointed from the central government to be administrative leaders in provincial polity. The provincial administration could be divided into two main levels: province and district. The Ministry of Interior is responsible for appointing a governor to a province and a chief district officer to a district. Currently, Thailand has 76 provinces and 878 districts.

The local administration is a decentralization of public service provision and administrative power to many forms of local government. Each local area has a local government and a local assembly which are empowered autonomous authority in managing public service to their people in specified area. Current local administrative organizations can be divided into 76 provincial administrative organizations in each province, 7,852 local administrations in local

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\(^6\) Administrative structure from State Administration Act 1991
areas including town or city municipalities, subdistrict administrative organizations, and 2 special local governments (Bangkok Metropolitan Administration and the City of Pattaya).
Legal System and Law Enforcement

In accordance with mainstream justice principle, Thailand’s criminal justice system are carried out by four major institutions as: police, prosecutors, courts, and correctional agencies. The Thai correctional system comprise of three departments under the Ministry of Justice as: the Department of Corrections (Prison Service) responsible for custodial treatment in prisons; the Department of Probation responsible for probation and other non-custodial treatments; and the Department of Juvenile Observation and Protection responsible for child and juvenile offenders.

Law enforcement is mainly provided by the Royal Thai Police. Local police forces are responsible for basic crime nationwide and there are specialized police forces for specific crime or complicated criminal cases such as narcotics, corruption, human trafficking, transnational crimes, natural resource and environmental crimes, river and maritime crimes, illegal immigration, economic crimes, etc.\(^7\)

In addition, there are also non-police law enforcement agencies, such as Thailand’s Election Commission (ECT),\(^8\) National Anti-Corruption Commission (NACC), Public Sector Anti-Corruption Commission (PACC), Narcotics Control Board (ONCB), Securities and Exchange Commission (SEC)\(^9\) and other government agencies with power of arrest (for example, Customs Department, Department of Forestry, Department of National Parks, Wildlife and Plant Conservation, etc.).

Another key law enforcement agency is the Department of Special Investigation (DSI). It was established to handle complicated and sophisticated cases or cases with deep impact on national security, society, international relations, fiscal policy, criminal organizations, transnational crimes, and cases involving high-ranking government officials or influential persons. DSI officials have power to investigate only special crime pursuant to the Special Case Investigation Act 2004\(^10\) including: public cheating and fraud, trade competition malpractices, fraudulent activities and misconducts of financial institutions, commercial banks, securities businesses, credit foncier businesses, public companies, the stock market, share fund or chit fund, money exchange, public procurement, consumer protection, trademarks, currency, tax

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\(^7\) Examples of specialized police forces are Narcotics Suppression Bureau, Cyber Crime Investigation Bureau, Immigration Bureau, Crime Suppression Division (special investigation), Anti-Trafficking in Persons Division, Natural Resources and Environmental Crime Division, Economic Crime Division, Counter Corruption Division, Consumer Protection Police Division, Technology Crime Suppression Division, Marine Police Division

\(^8\) Election Commission of Thailand (ECT) has legal power to conduct and administer elections as well as investigate and indict those who compromise election laws which include powers under anti-money laundering law in case any corruption for voters or election fraud is reported.

\(^9\) Securities and Exchange Commission (SEC) has no direct power of arrest under the securities laws. It is to monitor and report complaints to police or DSI officials. It also has powers to regulate and supervise securities business and impose a civil sanction under the Securities and Exchange Act 2016 Section 317/1 and the Emergency Decree on Digital Asset Businesses 2018 Section 96.

\(^10\) defined as special cases under the Special Investigation Act 2004, section 21, and as listed in the annex of the Act, and as notified by the Board of Special Investigation under section 21 (2)
fraud, customs law, currency counterfeiting, loansharking, money laundering, industrial standard, copyright and patent, computer crimes, environmental and natural resources.

Thailand’s justice system has respective criminal justice procedure as complaint and accusation, detection, arrest, charge and investigation, prosecution, court trial, sentence, and correction. In prosecution process, the Royal Thai Police is the primary law enforcement body. The investigation and interrogation police have legal authority to investigate any kind of criminal case in the country and pursue the case to public prosecutors for prosecution. Other law enforcement agencies generally have the power to arrest or fine but not to interrogate except DSI officers and administrative officials who have been appointed with interrogative power in specific cases, and independent organizations with special authority, namely, the Election Commission of Thailand, the National Anti-Corruption Commission, and the Public Sector Anti-Corruption Commission.

<table>
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<tr>
<th>FINANCIAL INTELLIGENCE UNIT</th>
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<td>ANTI-MONEY LAUNDERING OFFICE</td>
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<td>Financial Intelligence Unit</td>
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<tr>
<th>INTELLIGENCE UNIT AND NATIONAL SECURITY UNITS</th>
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<tr>
<td>NATIONAL INTELLIGENCE AGENCY</td>
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<tr>
<td>Intelligence Unit</td>
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<td>OFFICE OF THE NATION SECURITY COUNCIL</td>
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<td>Nation Security Unit</td>
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<td>INTERNAL SECURITY OPERATIONS COMMAND</td>
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<td>Nation Security Unit</td>
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<tr>
<th>LAW ENFORCEMENT AGENCIES, CRIMINAL JUSTICE AGENCIES AND TAXATION AGENTS</th>
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<tr>
<td>ROYAL THAI POLICE</td>
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<tr>
<td>General Crime</td>
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<tr>
<td>COURT OF JUSTICE</td>
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<tr>
<td>Trial and Sentence</td>
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<tr>
<td>OFFICE OF PUBLIC SECTOR ANTI-CORRUPTION COMMISSION **</td>
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<tr>
<td>Corruption</td>
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<tr>
<td>ROYAL FOREST DEPARTMENT</td>
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<tr>
<td>Environmental Crime</td>
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<tr>
<td>CUSTOMS DEPARTMENT</td>
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<td>Custom Offenses</td>
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<td>TMCL</td>
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<td>Dual-Use Items</td>
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<tr>
<td>DEPARTMENT OF SPECIAL INVESTIGATION</td>
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<tr>
<td>Special Crime</td>
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<td>DEPARTMENT OF INTELLECTUAL PROPERTY</td>
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<td>Intellectual Property Crime</td>
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<td>OFFICE OF THE NARCOTICS CONTROL BOARD</td>
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<td>Narcotics</td>
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<td>OFFICE OF THE ELECTION COMMISSION</td>
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<td>Election Fraud</td>
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<tr>
<td>OFFICE OF THE ATTORNEY GENERAL</td>
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<tr>
<td>Prosecution</td>
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<tr>
<td>OFFICE OF NATIONAL ANTI-CORRUPTION COMMISSION *</td>
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<tr>
<td>Corruption</td>
</tr>
<tr>
<td>DEPARTMENT OF NATIONAL PARK, WILDLIFE AND PLANT CONSERVATION</td>
</tr>
<tr>
<td>Environmental Crime</td>
</tr>
<tr>
<td>REVENUE DEPARTMENT</td>
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<tr>
<td>Tax Evasion and Tax Fraud</td>
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</table>

In terms of anti-money laundering, Thailand has made progress in developing its AML/CFT/CPF laws to comply with international standards. Apart from property confiscation
under the Thai Penal Code, Thailand also has the Anti-Money Laundering Act 1999 (AMLA) aimed directly and specifically for civil forfeiture. From 2016 to 2021, the country has enacted two additional legislations: the Counter-Terrorism and Proliferation of Weapons of Mass Destruction Financing Act 2016 (CTPF) to specifically obstruct financial support for terrorism and WMD proliferation; and the Trade Controls of Weapons of Mass Destruction Act 2019 (TCWMD) to control export, import, trading and use of WMD-related items. In implementing such laws, the Anti-Money Laundering Office is the key supervisory agency for AML and CTPF, while the Department of International Trade is the key administrator of TCWMD.

Under Thai law, the property-based confiscation has traditionally been practiced, but currently the value-based confiscation has been introduced in some critical offenses regarding corruptions and narcotics under specific laws. Also, civil sanction measures similar to value-based confiscation have been applied for unfair securities trade offenses.

**CONFISCATION AND ANTI-MONEY LAUNDERING LAW**

<table>
<thead>
<tr>
<th>1956</th>
<th>1999</th>
<th>2016</th>
<th>2018</th>
<th>2021</th>
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<tbody>
<tr>
<td><strong>PENAL CODE</strong></td>
<td><strong>AMLA</strong></td>
<td><strong>SECURITIES AND EXCHANGE ACT</strong></td>
<td><strong>ORGANIC ACT ON ANTI-CORRUPTION</strong></td>
<td><strong>NARCOTICS CODE</strong></td>
</tr>
<tr>
<td>• Forfeiture of Property</td>
<td>• Civil Forfeiture of Criminal Proceeds</td>
<td>• Value-based Confiscation</td>
<td>• Value-based Confiscation</td>
<td></td>
</tr>
<tr>
<td>- Illegal Properties</td>
<td>- Definite Predicate Offenses</td>
<td>- Civil Sanction</td>
<td></td>
<td></td>
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<tr>
<td>- Instrument of Crime</td>
<td>- Supervision on PIs and DNIFPs</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Proceeds of Crime</td>
<td>- Property-based Confiscation</td>
<td>-</td>
<td></td>
<td></td>
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<tr>
<td>- Beyond Reasonable Doubt</td>
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<td>-</td>
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* 5th Amendment

**COUNTER-TERRORISM AND PROLIFERATION OF WEAPONS OF MASS DESTRUCTION FINANCING**

<table>
<thead>
<tr>
<th>2013</th>
<th>2016</th>
<th>2019</th>
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</thead>
<tbody>
<tr>
<td><strong>COUNTER-TERRORISM FINANCING ACT</strong></td>
<td><strong>COUNTER-TERRORISM AND PROLIFERATION OF WEAPONS OF MASS DESTRUCTION FINANCING ACT</strong></td>
<td><strong>CONTROL OF ITEMS IN RELATION TO THE PROLIFERATION OF WEAPONS OF MASS DESTRUCTION ACT</strong></td>
</tr>
<tr>
<td>• Targeted Financial Sanction</td>
<td>• Targeted Financial Sanction</td>
<td>• Import and export control of WMD product, which also includes dual-use items</td>
</tr>
<tr>
<td>• TF only</td>
<td>• TF and PF as Predicate Offence</td>
<td></td>
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</tbody>
</table>

TF = Terrorism Financing  
PP = Proliferation of Weapons of Mass Destruction Financing  
WMD = Weapons of Mass Destruction
Under the Anti-Money Laundering Act 1999, the Anti-Money Laundering Office has been established as the key supervisory entity responsible for prevention and suppression of money laundering cases as well as the country’s financial intelligence unit. It also has legal power to issue preventive measures: supervision and regulatory scrutiny of financial institutions and relevant business sector, request for financial transaction report, customer identification (also known as ‘Know Your Customer: KYC), customer and transaction due diligence, data record for further examination of suspicious transactions. The Office could cooperate with related agencies to regulatory control any business suspected to involve money laundering activities.

Economic System

Thailand has a mixed economic system with a liberty for private ownership, capital, and production under competitive market, while the government implements necessary regulatory measures and interventions only to prevent unfair practices or carries out some economic activities in needs of state roles such as infrastructure construction, public service provision, and encouragement of some necessary services which are unprofitable. Thai economy has been expanded continuously. Over the past ten years (2011-2020), its GDP has been increased from
about 10.81 trillion Baht in 2011 to 15.7 trillion Baht in 2020.\textsuperscript{11} With such economic growth, Thailand has become the second largest economy in Southeast Asia.\textsuperscript{12}

During 2016 and 2020, Thai currency notes were of about 1.5 to 2 trillion Baht\textsuperscript{13} in value. The money circulated in Thai economy were mainly supplied and facilitated by financial intermediaries, such as commercial banks, finance institutions, cooperatives, etc.\textsuperscript{14}

According to the Department of Foreign Trade, the country’s total value of imports in 2020 was more than 6.5 trillion Baht (206 billion USD) while the total value of exports was 7.1 trillion Baht (231 billion USD). Cross-border trade was quite significant to Thai economy. The Department of Foreign Trade reported that, in 2020 Thailand’s overall border trade with four neighboring countries—Myanmar, Laos, Cambodia and Malaysia—amounted to 760 billion Baht in total, while transit trade through neighboring countries valued 559 billion Baht, mainly to China, Singapore, Vietnam and other countries.\textsuperscript{15}

Thailand’s high performance in its international trade has resulted in a large amount of foreign currency transactions, either via financial institutions or cross-border cash payments. With a wide variety of supply modes, inbound and outbound product logistics, foreign exchange channels, and border trade activities with a large number of local vendors, it is likely that transnational criminals and their network could be used for proceeding of international illicit funds flows through international trade and investment. Additionally with bigger economy compared to neighboring countries, Thailand could be target destination, market, and transit point of illegal objects (such as drugs, prostitutes, smuggled products, etc.) for trafficking into and passing to other regions.

Thailand’s shadow economy is a large economic sector which includes small-scale, household economic activities, lower wage earners who are not in the formal employment system, informal workers, and especially those who work in illicit businesses or engage in criminal profits such as sex workers, illicit product traders, criminal networks, etc. In Thani Chaiwat’s research, it is estimated that Thai sizable shadow economy contributed to 60-70 percent of GDP,\textsuperscript{16} while the estimation in the International Monetary Fund’s report on shadow economies around the world shows that the shadow economy of Thailand was about 50 percent of its GDP.\textsuperscript{17}

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{11} Gross Domestic Product Statistics between 2011-2020, Office of the National Economics and Social Development Council
\item \textsuperscript{12} ASEAN Secretariat. ASEAN Key Figures 2020. Jakarta: The ASEAN Secretariat, 2020
\item \textsuperscript{13} Currency notes are banknotes in circulation and banknotes held by the Bank of Thailand
\item \textsuperscript{14} Financial Status Report, Bank of Thailand
\item \textsuperscript{15} Border trade statistics, Department of Foreign Trade
\item \textsuperscript{16} Thani Chaiwat, \textit{Shadow Economy: A Status of Knowledge}. Paper prepared for 2016 BOT Symposium, Bank of Thailand
\item \textsuperscript{17} Medina, Leandro and Schneider, Friedrich G., \textit{Shadow Economies Around the World: What Did We Learn Over the Last 20 Years?}, IMF Working Paper No. 18/17, 2018
\end{itemize}
\end{footnotesize}
Technological System

Thailand has up-to-date technological system and facilities, and its household use of information technology has been steadily increased. The National Statistics Office's 2019 Household Survey on the Use of Information and Communication Technology found that 25.3% of Thai people used computer in many activities relating work, education, etc. and more than 66.7% have access and are able to use the Internet.¹⁸

Technological system has considerably developed by the country’s policy on technology and innovation development and the encouraging measures to boost widespread technological adoption and usage. A wide variety of technology platforms—web sites, social network, dark web, or hidden or encrypted web content—have been advanced and these could otherwise be used for cybercrime purposes. New financial products—digital assets, electronic payments, easy-to-use monetary products—have increasingly been introduced and these could otherwise be used as money laundering tools as well.

¹⁸ 2019 Household Survey on the Use of Information and Communication Technology, National Statistics Office
CHAPTER 2
RISK ASSESSMENT METHODOLOGY

This risk assessment methodology is based on the FATF ML/TF/PF risk assessment methodology which follows the 3 key stages in the FATF guidance as: identification; analysis; and evaluation. It starts with the identification of threats and vulnerabilities of ML/TF/PF by determining the potential risk or risk factors that Thailand is facing. This is drawn from several risk factors including type and seriousness of crime in association with ML/TF/PF, typologies and methods, chances of committing ML/TF/PF, size and value of ML/TF/PF, payment methods or businesses that link to ML/TF/PF, existing control measures, regulation and supervision, and strengths and weaknesses of control measures. After the threats and vulnerabilities is identified, the risk assessment analyses nature, sources, likelihood, and consequences of the risk factors. The result of this stage would be used in the evaluation to prioritize the risks and consider appropriate and reasonable risk avoidance and risk mitigation measures.

The risk assessment adopted mixed methods of both qualitative and quantitative data collection derived from various sources including: documentary research (reports from competent agencies, sectoral risk assessment reports, and previous relevant research), an analysis of official crime and ML/TF/PF statistics, case studies, typology, in-depth interviews and focus group interviews with academic experts and officers from law enforcement authorities, criminal justice agencies, intelligence units, regulator and supervision agencies, relevant businesses, self-regulation bodies, non-governmental organizations, and international organizations.

In addition, some initiative methods have been conducted in the Thailand National Risk Assessment. This study uses the Detection Capacity Model to estimate the size and value of ML by calculating criminal income of some detectable crime from the National Crime Victimization Survey 2021 comparing to the detection capacity of the same types of crime from the seizure and confiscation statistics to estimate the total of ML likelihood rating. Another big data analytics technique has been used in the consideration of potential risk of unfair trade and price manipulation from personal linkage of executives in the public limited company in the Thai Stock Exchange Market.

The FATF Guidance on National Money Laundering and Terrorism Financing Risk Assessment consists of three key stages: identification, analysis, and evaluation. This analytical framework is applicable to all ML/TF/PF risk assessments but there are some differences in scope of analytics for each offense.

**Stage I Identification:** This stage involves a comprehensive review of inherent risks and risk factors derived from a variety of multiple sources. Qualitative and quantitative data collection
is applied to identify threats and vulnerabilities against the country. The risk identification involved changes in existing risks, level of control, inherent risk and residual risk, and an attempt to find new and previously undetected risks.

THREATS ANALYSIS

MONEY LAUNDERING
The risk assessment of ML is conducted by analyzing predicate offense and non-predicate offenses relevant to domestic and transnational crime as well as the illicit financial flows, chances, methods, size and value, and the use of payment methods or businesses in placement, layering, and integration of ML.

TERRORISM FINANCING
The risk assessment of TF is conducted by analyzing the movement of individual groups, and entities relevant to terrorist activities and terrorism financing, terrorism funds and terrorism resources within the scope of domestic and foreign terrorist groups.

PROLIFERATION FINANCING
The risk assessment of PF is analyzing relevant individual, groups and entities involves in WMD proliferation and a potential breach or non-implementation or evasion of targeted financial sanction against countries, individual and entities.
Stage II Analysis: The analysis is the process after the identification of risks. The analysis involves consideration of the nature, sources, likelihood, and consequences of risk factors by using likelihood and consequence index. The likelihood index consists of 4 indicators as: the number of detectable cases, an amount of seizure, frequency of crime, and level of control. The consequence index consists of 7 indicators as: international impacts, impacts on the financial system and financial institutions, impacts on the real economic sectors, social impacts of crime, national security, victim losses or criminal setting, affected area and prevalence of crime.

The analysis of likelihood and consequence is developed by prioritizing ML/TF/PF threats and vulnerabilities with quantity indexes. The analysis is carried out by qualitative judgement from various experts/specialists across the relevant fields including criminology, sociology, finance, law, and economics. The experts/specialists participated in the decision of likelihood and consequences score of 1 to 5 based on the identified risk factors.

### LIKELIHOOD ANALYSIS

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>50% Number of Criminal Cases</th>
<th>50% Amount of Seizure</th>
<th>50% Estimation of Frequency</th>
<th>50% Level of Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Almost Certain</td>
<td>Highest T-Score Stats</td>
<td>Highest T-Score Stats</td>
<td>Common</td>
<td>Weakest</td>
</tr>
<tr>
<td>Likely</td>
<td>High T-Score Stats</td>
<td>High T-Score Stats</td>
<td>Quite Often</td>
<td>Weak</td>
</tr>
<tr>
<td>Possible</td>
<td>Medium T-Score Stats</td>
<td>Medium T-Score Stats</td>
<td>Sometimes</td>
<td>Moderate</td>
</tr>
<tr>
<td>Unlikely</td>
<td>Low T-Score Stats</td>
<td>Low T-Score Stats</td>
<td>Rarely</td>
<td>Strong</td>
</tr>
<tr>
<td>Rare</td>
<td>Lowest T-Score Stats</td>
<td>Lowest T-Score Stats</td>
<td>Never or Almost Never</td>
<td>Strongest</td>
</tr>
</tbody>
</table>
## CONSEQUENCES ANALYSIS

<table>
<thead>
<tr>
<th></th>
<th>Negligible</th>
<th>Minor</th>
<th>Moderate</th>
<th>Critical</th>
<th>Catastrophic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>International Impact</strong></td>
<td>Minor impact on country reputation</td>
<td>Require to improve country reputation</td>
<td>Losses of international investment and trade creditability</td>
<td>International Pressure</td>
<td>Formal International Sanction</td>
</tr>
<tr>
<td><strong>Financial System</strong></td>
<td>Managable impact on FIs.</td>
<td>A significant increase in FIs’ cost</td>
<td>Affecting the financial system</td>
<td>Impact on financial and economic system</td>
<td>Economic crisis</td>
</tr>
<tr>
<td><strong>Real Economic Sector</strong></td>
<td>Self-recovering impact on real economy</td>
<td>Affecting the real economy but not market failure</td>
<td>Market failure at some senses</td>
<td>Widespread impact on the overall economy</td>
<td>Critical damage to particular economic sectors</td>
</tr>
<tr>
<td><strong>Social Impact</strong></td>
<td>Minor impact on moral or standards of living</td>
<td>Controllable impact on moral or standards of living</td>
<td>A significant increase in moral deterioration or crime</td>
<td>Widespread of moral deterioration or crime</td>
<td>Critical damage to or deterioration of social structure</td>
</tr>
<tr>
<td><strong>National Security</strong></td>
<td>Controllable impact on national security</td>
<td>Affecting the country growth or losses of national benefits</td>
<td>A significant impact on national security or sustainability</td>
<td>National conflict or terrorism</td>
<td>Danger to independency or sovereignty</td>
</tr>
<tr>
<td><strong>Victim Loss and Criminal Involvement</strong></td>
<td>Small losses of victim, no criminal involvement</td>
<td>Some victims’ losses or motivation to criminal involvement</td>
<td>A large amount of victims’ losses or significant criminal involvement</td>
<td>Widespread of crime and criminal involvement</td>
<td>A huge losses of victim, even to a common motivation to criminal involvement</td>
</tr>
<tr>
<td><strong>Area and Prevalence</strong></td>
<td>Minor impact on a small population or area</td>
<td>Affecting only a particular group of people</td>
<td>Affecting a particular region</td>
<td>Affecting most people in all regions</td>
<td>Affecting the whole population</td>
</tr>
</tbody>
</table>

**Stage III Evaluation:** The likelihood and consequence scores from the qualitative judgement are materialized in the 5 x 5 risk evaluation matrix. The results will determine priorities for addressing the appropriate risk avoidance and mitigation measures to various stakeholders, including the Anti-Money Laundering Office (FIU), law enforcement agencies, criminal justice agencies, intelligence units, competent government departments, regulator and supervision agencies, businesses sectors, self-regulation bodies and non-governmental organizations. In this regard, each stakeholder can review the risk scores and policy recommendations and suggest a revision where appropriate.
## RISK ASSESSMENT

<table>
<thead>
<tr>
<th>Risk Assessment</th>
<th>Consequence</th>
<th>Level</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Negligible</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Minor</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Moderate</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Critical</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Catastrophic</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>4</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

- **Almost Certain**: 5
- **Likely**: 4
- **Possible**: 3
- **Unlikely**: 2
- **Rare**: 1

- **Extreme**: intolerant, critical danger, the most important and critical of all risks, urgent and immediate action
- **High**: unacceptability, high danger, risk avoidance or mitigation action is needed, lower the risk
- **Moderate**: manageable, some danger, reasonable actions or appropriate control, avoidance
- **Low**: acceptable, some problem but not a serious problem, risk avoidance and mitigation action are unlikely to be necessary, monitoring and improve performance
CHAPTER 3
THE ASSESSMENT OF MONEY LAUNDERING

Thailand adopts the legislative definite listing of predicate offenses as an approach to enforcing AMLA. 29 predicate offenses were prescribed until 2021, when the Constitutional Court overruled ‘Tax Evasion and Tax Fraud’ from the predicate offense because the current Revenue Code already had sufficient civil sanction and criminal tax measures in place to deal with tax evasion or tax fraud. The Anti-money laundering law would apply only to serious tax offenses. The defining of the Revenue Code offense for ML was then considered to be unconstitutional and duplicated. As a result, the tax offense was removed from the list of predicate offenses. At present, there are 28 predicate offenses.

ANTIMONEY Laundering LAW

<table>
<thead>
<tr>
<th>Offense</th>
<th>Cases</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Narcotics</td>
<td>91,675</td>
<td>1,156,506,583 THB</td>
</tr>
<tr>
<td>Intellectual Property Crime</td>
<td>5,053</td>
<td>5,822, 192 THB</td>
</tr>
<tr>
<td>Corruption And Bribery</td>
<td>1,390</td>
<td>603,043,639 THB</td>
</tr>
<tr>
<td>Arms Smuggling</td>
<td>346</td>
<td></td>
</tr>
<tr>
<td>Terrorism</td>
<td>108</td>
<td>3,690 THB</td>
</tr>
<tr>
<td>Organize Crime/Racketeering</td>
<td>18</td>
<td>5,706,029 THB</td>
</tr>
<tr>
<td>Kidnapping</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Property Crime</td>
<td>5,839</td>
<td>3,441, 611 THB</td>
</tr>
<tr>
<td>Smuggling (Customs Offense)</td>
<td>1,588</td>
<td>13,174,999 THB</td>
</tr>
<tr>
<td>Trafficking In Stolen Goods</td>
<td>558</td>
<td></td>
</tr>
<tr>
<td>Forgery</td>
<td>318</td>
<td></td>
</tr>
<tr>
<td>Extortion/Blackmailing Gang</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>Fraudulent Offenser Against Fx Executives</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Piracy</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

* The ML statistics combines Sexual Exploitation and Forced Labour in a single category as Human Trafficking.

19 Contrary to the constitution of the kingdom of Thailand 2017 section 77 where the state should introduce law only to the extent of necessity and repeal or revise laws that are no longer necessary or unsuitable to the current circumstances, or are obstacles to livelihoods or engagement in occupations, without delay

20 Constitutional Court Ruling No. 8/2564 Dated 2nd June 2021
21 predicate offenses are prescribed by the anti-money laundering law and 8 offenses are prescribed by other laws i.e., election laws, anti-participation in transnational organized crime, CTF/CPF law, the revenue code, and anti-human trafficking law.

In 2018-2020, there were an average of 122,204 predicate offense cases per year in the criminal record, resulting in the seizure of 5,250,740,950 baht per year on average. The actual size and value of money laundering in Thailand are estimated to be 647.85 times of the official seized asset, or 3,401,708,606,982 baht, or 21.67% of Thailand’s Gross National Product (GDP).  

The top five offenses that held the highest money laundering value are gambling (with total amount from five million Baht or above or online gambling) 81.3 billion Baht, narcotics 78.1 billion Baht, corruption 68.3 billion Baht, public cheating and fraud 65.1 billion Baht, and

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21 This study uses the Detection Capacity Model to estimate the size and value of ML by calculating the criminal income of some detectable crime from the National Crime Victimization Survey 2021 compared to the detection capacity of the same types of crime from the seizure and confiscation statistics as samples. The ratio of sample criminal income and amount of seizure from detectable crime types is used to estimate the total ML value nationwide by calculating the fold change of sample crime types into the whole total amount of seizures.
property crime 61.9 billion Baht, respectively. Those offenses contribute to money laundering of 351,360 million Baht or approximately 2% of Thailand’s Gross National Product (GDP).

An Overview of Anti-Money Laundering in Thailand

Narcotics cases were the most prosecuted among the predicate offenses from 2018 to 2020, 91,675 cases/year, or 75.02%, followed by gambling with total amounts of 5 million Baht and above or online gambling (9,638 cases/year, 7.89%), property crime (theft, extortion, robbery, fraud, embezzlement, 5,839 cases/year, 4.78%), intellectual property crime (5,053 cases/year 4.78%), environmental crime & illegal wildlife trading (4,006 cases/year, 3.28%), smuggling (customs offense) (1,588 cases/year, 1.30%), corruption and bribery (1,390 cases/year, 1.14%), public cheating and fraud (1,074 cases/year, 0.88%), and other offenses (1,941 cases/year, 1.59%).

The largest amount of seizures between 2018 to 2020 were tax evasion and tax fraud with 1,692,205,790 Baht/year on average, or 32.23%, despite removed from predicate offenses in 2021, followed by narcotics (1,156,506,583 Baht/year on average, 22.03%), corruption and bribery (603,043,639 Baht/year on average, 11.48%), human trafficking (202,059,744 Baht/year on average, 3.85%), public cheating and fraud (101,929,015 Baht/year, 1.94%), other seizures (96,354,764 Baht/year, 1.84%), and another approximately 1/4 were multiple conviction offense (1,398,641,416 Baht per year, 26.64%).

22 The average amount of seizure in cases with multiple offenses is 4,195,924,248 baht per year or 1/4 of the total amount of seized assets. Most of them are from organized crimes that have committed multiple predicate offenses at the same time. For examples, racketeering gangs committed organized crime as drug traffickers or illegal gambling providers, the multiple offenses can also be committed by government officials’ corruption, such as their involvement in human trafficking cases which, at the same time, could be defined as both corruption and mutual offenders in human trafficking, the customs offenses involving the handling of illegal goods, such as plants, animal remains, drugs, or firearms, would be considered to be multiple predicate offense case as well.
Thailand has prosecuted almost all predicate offenses, except for piracy, proliferation financing, and election frauds for senate election only. For the past 10 years, there has been only one pirate robbery of a cash courier ship where an employee of a money changer company was the culprit. No pirate as a transnational organized crime has been found in the Thai maritime territory. There was no arrest and prosecution of any proliferation of weapons of mass destruction financing. And from the coup d’état in 2014 to the general election in 2019 until now, there has never been a senate election, hence no prosecution relating to the senate election. During 2018-2020, the seizures were for only 13 offense types out of 29 all predicate offenses. Many predicate offense cases were prosecuted without seizure and confiscation such as Fraudulent Offenses against Financial Institutions Executive (fraud, misappropriation, embezzlement, theft, corruption in concerning financial institutions’ assets or committing public cheating and fraud by using the name of their financial institutions to defraud people), Blackmailing/Extortion Gangs, Trafficking in Stolen Goods, Counterfeiting Currency, Forgery, Violence crimes (murder and grievous bodily injury where the offense is to demand or obtain dishonest benefit, for example life insurance fraud or assassination), Kidnapping, Inside Trading & Price Market Manipulation, Arms Trafficking, Terrorism Financing, and Election Frauds. Most of them are due to a small number of cases.

Changes in Thailand Money Laundering Situation

From the previous assessment in 2016, some of the major changes to the ML landscape in Thailand over the past few years have been due to situations as follows:

**Narcotics**

Narcotics are still the most common types of crimes in Thailand. According to the crime record statistic, in 2020, 408,852 drug-related offenses were reported, which was 57.8% of the total 707,965 criminal cases in Thailand’s criminal justice. With the economic growth in Southeast Asia and an increasing demand of drugs from East Asia, drug trafficking in Thailand and the region has been expanding, involving crime syndicated from foreign perpetrators. One of the

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23 Crime Record Statistics, the Royal Thai Police
turning points was the ceasefire agreement between the Myanmar government and the ethnic minorities around the golden triangle (a world’s largest drug production) before Myanmar coup d’état. This allowed drug tycoons to operate more freely in the area. And the “Belt and Road Initiative” policy also facilitates the transportation of materials and technology support into the area. Those factors could significantly increase the golden triangle’s drug producing capabilities, as well as the engineering of new drugs products and growing drugs markets.

Since the Myanmar coup d’état in 2021, tensions between ethnic minorities and the military-led government have intensified, leading to more violence from both sides. Such a situation could result in more drug trafficking to fund the minority groups. Cooperation with the Myanmar government in preventing and suppressing such crimes is substantially limited due to political sensitivity of this area. In addition, no international cooperation measures and mutual legal assistance could be done as the area is not under any government’s jurisdiction.

**Cyber Crimes**

Online criminal activities have been increasing in volume and severity. Criminals have increased using e-commerce and parcel delivery couriers to distribute illegal goods. During the recent pandemic lockdown, illegal goods trading, such as drugs, firearms, piracy products, counterfeit passports, or stolen goods has substantially increased. These activities are extremely difficult to track and intercept, even with the new narcotic law that requires identification from senders and record keeping from the parcel delivery courier. However, it is becoming more and more difficult to monitor the huge volume of goods delivery, and especially on small or local delivery service providers.

The black market has always been a place where illegal products are sold, but nowadays, digital media is used more and more as an advertising and distribution channel for these illicit products. The internet provides an anonymous way for buyers and sellers to connect and transact business, and there are many sites and social media platforms that cater to this market, such as community webs, Facebook, IGs, and the Dark Web which is specifically for concealing purpose. Cryptocurrency is becoming increasingly popular to covert sales and purchases of illicit goods and services. The anonymity of transactions makes it very difficult for law enforcement to trace back to the sellers and buyers. In crime investigation, the Web administrator may claim that they are just an intermediary for like-minded people and not direct distributors of illegal goods and services. As such, the law on stolen goods trading and second-hand item controls cannot effectively apply to the market online.

In addition to online illicit black market, there are also several offenses that occur through online channels, such as gambling websites and online fraudulent scams. In addition, scammers can trick the unaware people to transfer money into the scammer’s bank accounts or give their confidential information to get access to their banking online and then move the money from the victims’ account. Other types of fraud include Romance Scams, pyramid schemes, and the distribution of pornography - especially child pornography.
In 2017, the Thai authorities arrested an online international black-market website, ‘AlphaBay Market’ one of the largest black market networks. This website was a place where people could buy and sell illegal drugs, firearms, and other illegal goods worldwide with cryptocurrency. The arrest was from a joint operation between many countries. Although most of the sales of products distribution were traded with foreigners, this shows the risk of Thailand being a sanctuary for criminals.

**Nominee Financial Account**

Hiring someone else to open an account is a threat that leads to money laundering in Thailand, which is linked to several predicate offenses, such as opening an online gambling website, fraud, or illegal trading business. These accounts are used to collect money or to receive funds from criminal activity. The account owner may be prosecuted for money laundering or as a supporting offender. But often, the judge may dismiss the case as they are not completely convinced with a doubt that account owners are mostly rural or uneducated people and might not recognize the wrongdoing. Currently, no specific offense is defined for owning, contracting to open, or consenting to the use of documents for opening a bank or financial account misuse, besides for drugs offense related to the Narcotic Code 2021. Although many suspicious financial movements have been reported for the investigation, most of the time the money is transferred out before officers are able to track and freeze the bank accounts. In addition, Thailand does not have a consumer protection system that can freeze the accounts of e-commerce scammers, but only a mediation and court trial representative which could be considered inadequate for addressing fraudulent advertising and fake e-commerce businesses.

Moreover, even suspicious transactions or accounts are found, the adoption of the legislative definite listing of predicate offenses does not allow the authorities to freeze a bank account deposit prior to a proof of relation to a predicate offense. By discovering suspicious financial movements solely, the authorities are still unable to commence confiscation process.

**The Narcotics Code 2021**

In 2019, Thailand has adopted a decriminalization policy in the amendment of the previous narcotics law so that possession of some certain types in category 5 narcotics (soft drugs) was not illegal if they are used for some specific purposes such as research, medical treatment, and personal use in limited amounts. These include marijuana, hemp, and kratom. This was to reduce the demand for serious narcotics and to make it easier to control the substances through registration system.

The Narcotics Code was newly introduced in 2021. The law includes value-based confiscation measures, adjustment of the penalty based on behavior rather than the amount of drug possessed, and the decriminalization of soft drugs possession.
Illegal Gambling

According to a report by the Center for Gambling Studies, Faculty of Economics, Chulalongkorn University\(^{24}\) which surveyed 43,207 people aged 15 and over nationwide on gambling behavior of Thai people in 2019, an estimated 29,903,597 individuals were involved in gambling, with more than 400 billion Baht circulating in the system. Whilst government lottery is the most popular gambling\(^{25}\), underground lottery, card game, football betting, HI-LO, Gourd/ Crab/Fish\(^{26}\), bullfight/Cock fight\(^{27}\), and boxing betting are also popular. In 2020, there were 19,678 criminal cases of arrest for underground lotteries and 81 illegal casino cases,\(^{28}\) proving that illegal gambling was widespread throughout Thailand.

While casino gambling is legal in neighboring countries, casino in Thailand is still illegal. Thus, there have been a large number of gambling tourists from Thailand to surrounding countries. In this regard, many travelling agents operate a junket tour where they bring tourists from Thailand to play gambling in foreign casinos in return of some commissions. Potential money laundering of junket tour causes a concern that some traveling agencies is being used as a front. Such agencies would claim to be taking money out of Thailand for tourism and gambling in neighboring countries and bringing money into Thailand by manipulating it as winnings from gambling in casinos. It is difficult to trace money and get access to player information from casinos in other countries.

Thailand has an idea to open an entertainment complex that includes legal casinos and other bets. Currently, the House of Representatives is studying legislation and appropriate revenue collection for casinos and gambling businesses. If casinos and gambling are legally

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\(^{25}\) Government lotteries are legally run by the government.

\(^{26}\) A popular board game for gambling in Thailand

\(^{27}\) Bullfight and cockfight can be legally run by government permission in a specific area.

\(^{28}\) Crime Record Statistics, the Royal Thai Police
opened, such gambling businesses will need to be designated under the AMLA as a reporting entity to identify gamblers and verify the financial paths of those who bring their money to gamble. By doing so, the competent authorities can easier detect suspects of potential money laundering among those who suspiciously bring money to other countries for gambling.

**Human Trafficking**

Thailand has been seen as a source, transit, and destination country for human trafficking in both sexual exploitation and forced labour, which was previously classified as Tier 3, or the most severe level in the Trafficking in Persons Report (TIPs), reported by the US Department of State during 2014-2015.

There have been efforts to solve the problem of human trafficking networks. One of the most notorious incidents in the crackdown of human trafficking network who detained, abused, and ransomed of Rohingyas in 2015 which was linked to former local politicians, government officials from both the military and police, as well as civilians and agents from Myanmar. In this case, a total of 103 people were arrested, and a lot of seizures and confiscations relating to the case have been made. Since then, no other large Rohingya smuggling networks have been found.

Thailand has a significant improvement of anti-human trafficking measures with the new fisheries law and regulations, the new foreigners’ working management law. In addition, there is special joint operation between the Department of Provincial Administration and the Department of Special Investigation (DSI) to investigate human trafficking and child prostitution, together with NGOs as whistleblowers and law enforcement assistants which improved Thailand to Tier 2 in 2018. However, in 2021, Thailand was downgraded to Tier 2 Watch List because of the problem with child abuses and child pornography online. Moreover, when investigating force labour violations, Thai government officials were often seen to conduct mediation of potential force labour case rather than to strictly prosecute serious offense against employers according to the law.

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**Fisheries Emergency Decree, 2015**

The law provides intensive measures in checking the ship's arrival and departure, as well as the number of crew members. Vessel Monitoring System (VMS) is used to track the location of a ship and to collect data on its journey. This information can be used to improve the working conditions of the crew and to prevent forced labor on the ship.

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29 *Fisheries Emergency Decree 2015*
30 *Foreigners’ Working Management Emergency Decree 2017*
**COVID-19 Pandemic**

During COVID-19 pandemic, there are a lot of government’s efforts to control the spread of COVID-19, such as the lockdown, the cross-province traveling ban, the temporary closure of services and operations such as shopping malls, restaurants, markets, as well as the Work from Home policy. These factors have considerably changed people’s lifestyle, especially the way they have been increasingly using electronic payments for goods and services on the internet. As the internet has become more prevalent in everyday life which also induce online criminal activities. The example is piracy products in Thai flea markets and commercial centers have declined considerably because of COVID-19, but it appears that more and more products are being offered and advertised online instead. In addition, the influx of foreign workers has added to the complications as well because of the economic crisis in their countries and the better public health services in Thailand, and political insecurity in Myanmar after coup d'état in 2021 during the COVID-19 pandemic.

**Natural Resources and Environmental Crimes**

Illegal trafficking of rare plants, wildlife, and wildlife product is a big problem in Thailand. There are people both inside and outside the country who are willing to pay an exclusive price for the product, believing that it is nourishing food. This creates a network of organized crime involving every process in the chain. Even though they are arrested and enforced repeatedly, only front smugglers or transport contractors can usually be caught, and the money trails are hard to trace.

Thailand used to be identified as a hub for ivory smuggling and transit to other destination countries. Elephant Ivory Tusks Act 2015 was enacted to control the smuggling and to enforce registration of ivory possession,\(^{31}\) and to increase the enforcement of the ivory trade. It is now recognized that the illegal ivory trade in Thailand has been greatly reduced and that the law has been taken seriously. Thailand has been declared to be taken off the list of countries of concern in illegal ivory trading in 2019.\(^{32}\)

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\(^{31}\) Elephant Ivory Tusks Act 2015
\(^{32}\) Resolution of the CITES COP 18\(^{th}\) meeting, Geneva, Switzerland, August 21, 2019
Crackdown on Luxury Car Smuggling Networks

Following a fire accident during the transportation of smuggled luxury cars to the Kingdom of Cambodia in 2013, Thailand conducted a crackdown on its luxury car smuggling network. The investigation led to the prosecution of the importers, the seizure of 342 luxury cars, and the evasion of 5,669,511,963.77 baht in taxes.  

There have been a lot of customs evasion activities in the automotive trading because Thailand imposes high taxes on imported cars and does not allow the importation of used cars. One of the major offenses was the smuggling of car and then registering it as an assembled car. (The registration of assembled cars is currently not allowed.). Another smuggling tactic is to smuggle cars into the country and have them confiscated with unknown offenders. These cars can be legally registered as a domestic vehicle through government auctions by the customs. By no mean of direct smuggling, an evasion of customs is also a tactic of importing illicit cars where the perpetrator could declare much cheaper price in the invoice to miscalculate customs tax charges.

Customs evasion in the luxury car business is a significant threat which may be linked to money launders. Importing cars below-market value may be an avenue for businesses to launder money because criminals often place their criminal profits into luxury cars for later profitable sales, even some invest in car import businesses themselves. The seizure investigation reveal that the luxury car is one of the most popular seized assets, detected through Thailand’s anti-money laundering enforcement. Many of them were found to be purchased from ‘Grey Market’ dealers and some Grey Market dealers operate illegitimate customs evasion tactics through another Shell Company with someone else on the director’s seat as a nominee that cannot be traced back to the real origin of funding and final profit transmits.

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33 From the report of Department of Special Investigation on luxury car litigation.
34 This includes all taxes, such as excise duty, customs duty, and value-added tax, approximately 3-4 times of manufacturing price.
35 An assembled car is a car which are created by an assembly of used spare parts and used auto-part. Initially, the registration permit of assembled car was to promote knowhow and production capacities of domestic automotive industry, but nowadays it is considered a loophole for smuggling a whole used car instead.
36 The perpetrator of car smuggling can assure the loss avoidance in the auction because most cars are stolen or stolen of rental cars from the countries of origins. Most of stolen cars are from the United Kingdom, European countries, and Malaysia. In addition, the perpetrator can earn a certain reward in return for assisting the capture and seizure which is divided from the auction bidding.
37 In Thailand, unauthorized car importers are referred to as ‘Grey Market’ as another option for those who are looking for rare cars that are not imported to and marketized in Thailand by authorized dealers. The use of the term ‘Grey Market’ reflects that the selling price is often lower than the dealer price due to cheaper costs, deducting from manufacturers’ commissions and after-sale services. However, the use of the term ‘Grey Market’ could also be interpreted as an attempt to evade taxes or navigate through legal loopholes to make the price cheaper.
Unfair Securities Trade and Securities Fraud

To governance unfair practices in the stock exchange market, criminal law enforcement and confiscation of assets against a public limited company should be used only as the last resort. In principle, an encouragement of investment atmosphere is more important. Enforcing a public limited company with an unfair security trade offense is likely to lead to shocking prices, which may also cause a considerably damage to the public. Thus, SEC office normally issues a notification or imposes special conditions for unusual trading, rather than taking criminal prosecution and seizure measures under ML laws.

There have been few criminal prosecutions for unfair securities trading practices in the past. The reason for this is that the criminal process is lengthy and cumbersome, and criminal prosecution must be proofed beyond a reasonable doubt, which is practically difficult considering to the nature of crime. In 2016, the Securities and Exchange Act No.5 2016 was amended to give the SEC office more power to impose civil penalties in the form of fines and compensations for civil damages. From 2018 to 2020, civil penalties were imposed for 15 cases of insider trading, and 10 cases of price manipulation. During the same period, there was only one criminal prosecution for unfair practices related to the stock exchange.

Transnational Crime linked to Thailand

This part of report is based on an analysis of intelligence data from domestic and international law enforcement agencies, international cooperation requested information, and case studies of detected transnational crime in Thailand. Transnational crime involving Thailand are from various regions. The following are transnational crimes found in various region of Thailand.

Mekong Region

The countries of the Greater Mekong share borders and have large movements of population, goods, funding and border trades, which make it easier for organized crime networks to form and operate within the region. Drug trafficking is one of the major crimes in the golden triangle area in which ethnic minorities become the main producers of the drugs and the drug dealers often use Thailand as a main market and a transit to other regions. The immigrant smuggling from Mekong neighboring countries to Thailand is another concern. As an exceeding number of detectable illegal migrants, Thailand opts to immediately deport those arrested migrants back to their countries rather than to prosecute them with illegal immigrant offense. If the illegal immigration is for labour, illegal migrants often skip the natural borderline. Once getting caught, they are not afraid of deportation and then wait for another chance to get back into the country. In contrary to immigrant labour, immigrant sex workers could just get into Thailand legally as tourists. The difference is that immigrant workers are required to pay the fees

38 Civil Sanctions Statistic, SEC.
39 Law Enforcement Statistic, SEC.
to smuggling agents, but prostitute agents pay upfront for their sex worker recruitment. Thus, they want to assure the successful transition of immigrant sex worker to the destination.

There was also smuggling of illegal goods, wildlife, and wildlife parts along the borders. Stolen cars and motorcycles are usually smuggled into Myanmar and Cambodia because they can be registered without having to declare the country of origin. Cambodia is also an operation base of scammer gang and online gambling websites, which are illegally active in Thailand. Many Thai people travel to Cambodia as illegal workers for scammer defrauding, online gambling sites, and casinos, closely tied to human smugglers, force labour and transnational crime. Moreover, it was found some investigation cases of money laundering concerning corruption from Laos and Cambodia via property purchases in Thailand.

Criminals in shared border areas often use cross-border trades to launder illicit money. This includes opening businesses as a front, such as a gold shops, luxury car businesses, oil trading businesses, agricultural product traders. Such transnational businesses could engage in illicit funding investment or become a channel for international financial transaction by mean of concealing illicit funds flows like legitimate border-trade transaction. Additionally, a case study reveals that football clubs can also be used as a front to exploit illicit funds.

Other ASEAN Countries

Besides Mekong countries, Malaysia is an ASEAN country of the most concern. According to information exchange with Malaysian law enforcement agencies, drugs trafficking and human smuggling are transnational crimes that most often occur across their shared border. Authorities from both countries agree to raise a high concern on drug smuggling from the Golden Triangle into Malaysia and the human trafficking from Myanmar to Malaysia, which criminals commit crime by using Thailand as a transit. The Malaysia-Thailand border is also a site for sexual exploitation where a lot of sex workers are lured to the industry by loan shark racketeering. Some other transnational crimes often occur along the border line such as wildlife trafficking, stolen car smuggling, and customs offenses.

Transnational crime in other ASEAN countries is being recognized as well. There are some case examples of transnational crime into Singapore such as drugs smuggling from the Golden Triangle, scammers defrauding with an operational base in Thailand, immigrant smuggling for labour and sex worker, and laundering money from corruption.

In other ASEAN countries, deceptions and forced labour in fishery ships are seen to operate among the ring of maritime territory of Thailand, Philippine, and Indonesia. Nevertheless, fishery force labour concerning Thailand has much decreased in recent years due to the implementation of strict fishery control, as outlined by the IUU Fishing: Illegal, Unreported and Unregulated Fishing. An online firearms dealer network has been detected from Indonesia. Despite poor quality of firearm without proper manufacturing, these products are usable and go well in the market due to a very cheap price. A small number of people from the Philippines have
been found to be smuggled to work into Thailand. Whereas there is no significant report of any transnational crimes related to Brunei.
**East Asia**

East Asian countries, such as the Republic of China and the Special Administrative Regions (Hongkong, Macau), and Taiwan, as well as Korea and Japan, are known to have significant crimes network linked to Thailand.

The intelligence exchange shows that East Asia is a major market for illegal trading, especially drugs, wildlife, and rare plants. Also, there are scammers based in Thailand and targeting the East Asian people, and vice versa.

The types of piracy goods and counterfeit items in this region are clothing, jewelry, shoes, medicine, computer software, music, and movies. In addition to piracy products, counterfeit food brands from East Asia are delivered from some East Asia countries to Thailand via Mekong countries as a transit and some Thai food products are counterfeited and are delivered into those East Asia countries vice versa. Corruption is another concern. Some cases of money laundering from corruption were investigated. Those illicit funds were particularly from Hong Kong, Macau, China to Thailand and vice versa.

Some reports and case studies revealed that human trafficking and immigrant smuggling between Thailand and many countries in East Asia has been operated, particularly prostitute to Thailand (especially Hong Kong and China) and immigrant labour and prostitute to many East Asia countries.

Moreover, several criminal gangs from China and Japan are relocating to Thailand in order to set up their operations and hiding in Thailand. Fugitive members of the gangs tend to be the ones that set up money laundering operations in Thailand through multiple grey businesses, such as clubs and bars with sex workers in connection with human trafficking as well. Some East Asia gangsters are also dealing in online firearm trading.

**Middle Eastern and South Asia**

Case studies have shown that the trafficking of Thai women sex workers into Middle Eastern countries is one of major remaining crime problems. There are also organized crime groups from Middle Eastern countries that have set up a base in Thailand to forge passports and sell them to people abroad.

Some criminal networks from South Asia detected operating in Thailand were scammers and their target are specifically English-speaking countries in Europe, the USA, Australia, and Singapore.

**Eastern Europe and Russia**

Mafias from Eastern Europe are expanding their operations and launder money in Thailand by opening businesses, such as pubs, beer bars, restaurants, and hotels, especially for foreign tourists. Their businesses are also used as a source of drug trafficking, prostitution, and gambling which may involve foreign sex workers and drug trafficking into Thailand to serve such
Mostly, intelligence exchange and information sharing between Thailand and this region concerns fraud cases and those gangsters.

**Europe and the USA**

According to international cooperation, there have been a lot of cases in tracking mafia groups from Europe and US whereby many of them come to reside in Thailand. They are mostly related to drugs smuggling, both into Thailand and out of Thailand to Europe and America. In recent years, American and European mafias have also been increasingly involved in fraud, using various forms of scams in Europe and the United States, then flee to settle in Thailand with the scammed money.

Since Thailand is a popular destination for Europeans and Americans looking for long stay accommodation. Nevertheless, legal restrictions are imposed against foreigners’ real estate ownership. This is where the scammer comes pretending to help with the legal issue.

There are also cases of smuggling Thai sex workers into Europe and the United States through marriage or tourism, but this is less common than into East Asia and the Middle East due to better immigration control. Additionally, money laundering from corruption in Thailand was found to be hidden in some European countries, tax havens, and United States in forms of nominee account, shell company, stock trading, and real estate property. Some European countries, UK, and US have the anti-foreign corrupt practice law to prohibit their citizen or entities from bribing foreign government officials. It has been found cross-national businesses in those countries as a suspect who commits bribery to Thai officials in exchange of service or product offering to Thai public agencies.

Thailand is considered as a hub for the distribution of child pornography and child abuse. It is a transnational offense committed by European and American foreigners mostly, in which both boys and girls are victimized.

**Oceania**

Australia and other Oceania countries have become an important buyer of drugs from the Golden Triangle, using Thailand as a transit. Australia is also a destination for human smuggling from Myanmar via Thailand and Malaysia.

It is often detected that some Australian and New Zealander gangsters, called Outlaw Motorcycle Club, travel to and settled their communities in Thailand. They also operate some legal businesses (i.e. motorbike and spare part shops, pubs, restaurants), but possibly involving money laundering. In addition, some Australian and New Zealanders come to Thailand to commit child abuse and child pornography trading.

**Africa**

African racketeers in Thailand often engage in drug trafficking and internet-based scams. They use Thailand as a base to scam foreigners in African countries and others.
They often resort to marrying Thai women and using them as a nominee. They do this by opening mule accounts that are used specifically for criminal activities. Investigations mostly end up at holding the Thai woman accountable, and not being able to trace it back to the real beneficial owner. Oftentimes, Thai women who open the account are used to transporting money or drugs across the country. As a result, these women are often caught by authorities, rather than the gang member, In addition to drug trafficking, Thailand is tied as a transit for illegal wildlife and flora trade, committed by African organized criminal groups.

**South America**

The African and European mafias have been found to smuggle drugs that are produced from South America and then selling them in Thailand via foreign criminals. Additionally, there are organized crime networks from Middle Eastern countries that deal with the forgery of passports and immigration stamps for international travel, using Thailand as a production and delivery hub. Most of the counterfeit documents are used to gain entry from South America into the United States.

Generally, South American criminals have their operation site in their own countries, and do not come to Thailand or use the country as a base or hideout because it is a long way to travel, and they are unfamiliar with the language.
EAST ASIA
IN – Fraud, Human Trafficking, Immigrant Smuggling, Intellectual Property Crime, Gangster, Corruption, Firearms Trading

OCEANIA
IN – Gangster, Child Abuse and Child Pornography
OUT – Narcotics, Human Trafficking, Immigrant Smuggling

AFRICA
IN – Fraud, Narcotics, Wildlife and Flora Trade, Gangster
OUT – Fraud

SOUTH AMERICA
IN – Narcotics
OUT – Document Forgery

EUROPE AND USA
IN – Corruption, Narcotics, Gangster, Fraud, Child Abuse and Child Pornography
OUT – Corruption, Narcotics, Human Trafficking, Immigrant Smuggling, Child Pornography

THE MIDDLE EAST AND SOUTH ASIA
IN – Document Forgery, Fraud
OUT – Human Trafficking, Immigrant Smuggling

EAST EUROPE AND RUSSIA
IN – Narcotics, Gambling, Human Trafficking, Immigrant Smuggling, Gangster
OUT – Fraud
International Cooperation and Mutual Legal Assistance

Thailand has continuously cooperated with foreign countries in AML/CTF/CPF operations against transnational crime networks and criminals fleeing to Thailand. During the year 2018-2020, AMLO responded 618 information exchange requests from foreign. AMLO have also made 186 requests for international cooperation to foreign counterparts.

Thailand conducts fewer investigations and request mutual legal assistances from other jurisdictions comparing to numbers of detectable cases under investigation that may be perpetrators who committed crime outside the country, for example foreign drugs supplier, recruitment agents for sex workers, immigrant smuggling agents, illicit timber buyers, wildlife and wildlife product dealers, illegal firearms buyers, piracy goods or counterfeit manufacturer, or perpetrators whose offenses are based in foreign countries but targeting to Thai victims such as scammers and illegal gambling websites.

As a part of international cooperation, Thailand has placed a cooperation framework among members of Financial Intelligence Units’ network. However, the practice of international cooperation is still complicated in every process including mutual legal assistance, overseas asset investigation, freeze, seizure, and confiscation. This is especially complicated in the process of seizure, confiscation, and asset sharing where each country has different policies and legal procedure. Moreover, some countries have not yet established certain procedural rules on foreign case confiscation and asset sharing. Thus, mutual legal assistance on such procedures in those countries cannot be implemented, Thailand is developing procedural rules on asset sharing.

Risk Assessment Results

This report assesses ML risks in terms of crime and criminal network, size and value, channel and methods for money laundering, transnational crimes, illicit financial flows into and out of Thailand, and how well Thailand adapted the current level of control and which level of risk remains after the country have taken the efforts, also known as residual risks.
Corruption and narcotics are among the highest-risk crimes. The risk assessment considers such crimes as 'extreme risk' or critical danger which are in needs of intolerantly immediate response.

<table>
<thead>
<tr>
<th>Offense</th>
<th>Likelihood</th>
<th>Consequence</th>
<th>Risk Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corruption and Bribery</td>
<td>0.656</td>
<td>0.750</td>
<td>High</td>
</tr>
<tr>
<td>Narcotics</td>
<td>0.750</td>
<td>0.607</td>
<td>High</td>
</tr>
</tbody>
</table>

**Corruption and Bribery**

Corruption is a major offense that affects a country’s credibility, national interests, and wastes in public investment. And it is a controversial issue that has always led to protests against
Thai politicians which is considered a serious national conflict during the past decade. In addition, corruption in law and justice sectors is another serious concern where intentional weakening of control measures and enforcements heightens up opportunities of crime and obstructs toward success of ML and enforcement.

This assessment revealed a widespread of corruption in many forms, at both the national and local levels, as well as corruption in government agencies. Additionally, many corruption cases appear to be bribery from foreign or multinational companies in return to governmental approval or procurement in a government office and state-owned enterprises, regarding that corruption in Thailand not solely domestic problem but an international one.

An apparent weakness in implementing AML measures against corruption is that suppression and seize of the offender's assets are considerably low in consideration to the number of detectable offenses. Between 2017-2020, statistics from the court of justice shows that there are 1,668 cases of corruption conviction in the Corruption Court but only 10 successful confiscations appeared.

In terms of solving corruption in the next phase, measures should be taken to monitor seizure and confiscation in foreign countries. Politically Exposed Persons (PEPs) should also be clearly listed. Currently, only a broad definition of PEPs is distributed to reporting entities to examine and report PEPs transactions with their own unclear consideration who are involved with PEPs list. Other anti-bribery measures would be taken into consideration such as balance sheet inspection in some suspicious businesses in relation to bribery or plea bargaining in exchange of evidence recovering on bribery in case of suspicious financial movement found or corruption disclosure by complaint from other parties. More importantly, an increase in ML confiscation should be carried out.

**Narcotics**

Narcotics are the most prevalent crime and have affected people at all levels. There are many drugs dealer networks in every region throughout country. Despite many arrests and confiscations against drugs dealers, Thailand is still limited in suppressing the expansion of narcotics. Significant weaknesses include the inadequate capacities of blocking cross-border cash flow, detecting of drugs transportation through parcel delivery services or hidden drugs in freights, and suppressing drugs dealers’ nominee accounts or shell companies. The risk assessment also reveals that Thailand remains a large market and a hub for drugs distribution to other regions, while external factors on Myanmar conflicts and foreign perpetrators in promoting drug production capacities in the Golden Triangle will continue to have a great impact. The drugs epidemic is likely to be more serious.
Other offenses which are assessed at ‘high risk’ that need to take action seriously to reduce the likelihoods and consequences of crimes. They are:

**Gambling**
Gambling is widespread, well perceived, and even easily access by general people, especially online gambling which is increasingly popular. The money circulating in the gambling business is estimated at four hundred billion baht. Such a large amount of money in shadow economy must directly affect the real sector economy. More importantly, gambling offense is difficult to deal with due to an involvement of high-ranked government officials and politicians into such illegal businesses.

**Environmental Crime**
The environmental crime is another international concern where it is a global agreement among countries to ban and regulate wildlife trade, ivory, and rare plants, under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). However, the offense is not related to wildlife and plant trafficking only, but also includes criminal activities on destruction of natural resources i.e., trespassing or illegal occupancy of state forest, forest destruction, intentionally causing damage to natural resources, and polluters. Impacts of such criminal activities might have widespread impacts such as climate change, insufficient water
supply, agricultural damage, public health, and unemployment, so they could greatly impact general people at the state level.

**Public cheating and fraud**

Public cheating and fraud have grown exponentially recently. National crime victimization surveys reveal that public cheating and fraud is one of the most common crimes in Thailand. Nowadays, such a crime is not only a domestic concern. Many perpetrators in several foreign countries are operating to defraud Thai people as well as criminals in Thailand is committing crime against foreigners in overseas countries vice versa. The advancement of financial technology has made it easier for criminals to commit crimes, and thus, increased the risks. In response to overseas criminal operation, competent authorities commence cooperative investigation in other countries, resulting in arrests of many offenders in foreign territories.

**Smuggling (Customs Offense)**

Customs evasion or smuggling is common offense along the border. Such an offense costs government a substantial loss of revenue. Additionally, businesses who earn smuggled goods can dishonestly gain advantage over honest business, causing unfair competition in the market. Thailand has a strong legal framework, both criminal penalties and customs controls sanction where tax evasion and customs smuggling offenders are repeatedly detected and prosecuted. However, some procedures should be strengthened, such as: the authorities should further ML investigation, even though smugglers have already been fined if they may involve with money laundering; increasing controls over cross-border cash courier; and putting in place prevention measure in the auction of confiscated assets that may facilitate money laundering, such as the auction of confiscated luxury cars with unknown offenders.

**Human Trafficking**

Human trafficking and sexual exploitation are another global concern where Thailand has been constantly rated a site with a serious problem. Currently, Thailand has increased country capacities and efforts over human trafficking suppression, but it is still being watched out for official commitment to investigating the exploitation of workers, child sexual abuse, and child pornography trading online.

**Tax Evasion and Tax Fraud**

Tax evasion and tax frauds are seen as a high-risk offense, considering to only few confiscations but this offense held the highest value of seized assets. Unsurprisingly, tax offense and tax frauds have a widespread impact on real economic sectors and unfair competition, and it can cause a great loss of revenue to the country if the level of control is low. At present, the predicate offense related to tax evasion and tax fraud in the Revenue Code has been dismissed by the Constitutional Court’s judgment which the court suggested it to be designated as a predicate offense in the AMLA rather than in the Revenue Code.
**Property Crime**

Property offenses (theft, extortion, robbery, embezzlement, or fraud that are regularly committed or as a professional crime) are common in terms of statistic reports and crime detection. Case studies of professional property crime reveal several increasing offenses which deserve authorities’ attention for examples, automobile theft for sale in foreign countries that permit registration of vehicles without a declaration of origin, burglary, antique trade especially on religious items, and frauds (i.e., call center gangs, bank account fraud, merchandising fraud, money transfer fraud, romance scams, government welfare fraud, donation solicitation). Importantly, it should be noted that general fraud is a compoundable offense, which the victim and offender can compromise and agree to dismiss the charges before or during court trials. Some offenders take advantage of its compoundable nature by compromising only those who bring the case to criminal justice and take benefits from those who do not make a complaint.

**Election Frauds**

Thailand recently had general election in 2019. Once the election is held, it repeatedly appears fraudulent activities for increasing vote or distracting vote from the opposition such as vote buying or exchanges of other benefits to individuals or community entities (i.e., community leaders, associations, foundations, temples, schools, welfare home, or other institutions). Undeniably, buying votes and other form of election frauds are well perceived in Thai communities. Election fraud is basically considered a high risk because poor election must lead to corrupted governments, poor governance, and flaw political institutions. Some prosecutions and sanction measures against dishonest candidates have been implemented since the election recurrences, reported by the Office of Election Commissioner. However, none of seizure and confiscation is enforced.

**Terrorism**

There have been repeatedly conflicting violent incidents against the state in the Southern border provinces, so the risk of terrorism is still assessed as high. However, the situation is improving due to a steady decrease of incidents, and so far the Southern border conflict has never expanded to be an armed conflict or civil war, as well as no apparent movement of international terrorist groups in Thailand.

**Intellectual Property Crime**

According to US Trade Law, Special Section 301 Report in 2021, the United States Trade Representative (USTR) still announced Thailand on the Watch List (WL), presenting a high risk of intellectual property crime in Thailand on the perception of international communities. Despite a decline of piracy trading during COVID-19 pandemic, piracy products tend to increase through online channels.
<table>
<thead>
<tr>
<th>Offense</th>
<th>Likelihood</th>
<th>Consequence</th>
<th>Risk Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terrorism Financing</td>
<td>0.375</td>
<td>0.500</td>
<td></td>
</tr>
<tr>
<td>Election Frauds (Local Election)</td>
<td>0.438</td>
<td>0.393</td>
<td></td>
</tr>
<tr>
<td>Arms Smuggling</td>
<td>0.469</td>
<td>0.357</td>
<td></td>
</tr>
<tr>
<td>Transnational Organize Crime</td>
<td>0.500</td>
<td>0.321</td>
<td></td>
</tr>
<tr>
<td>Insider Trading/Market Manipulation</td>
<td>0.375</td>
<td>0.357</td>
<td></td>
</tr>
<tr>
<td>Organize Crime/Racketeering</td>
<td>0.406</td>
<td>0.321</td>
<td></td>
</tr>
<tr>
<td>Trafficking in Stolen Goods</td>
<td>0.406</td>
<td>0.250</td>
<td></td>
</tr>
<tr>
<td>Forgery</td>
<td>0.344</td>
<td>0.286</td>
<td></td>
</tr>
<tr>
<td>Extortion/Blackmailing Gang</td>
<td>0.313</td>
<td>0.250</td>
<td></td>
</tr>
<tr>
<td>Violence Crime</td>
<td>0.250</td>
<td>0.286</td>
<td></td>
</tr>
</tbody>
</table>

The risk of crimes in the above table is medium, in which reasonable mitigation actions are required to reduce or control the crimes. Many criminal actions increase significantly or are still out of authorities’ enough attention. They are:

Election frauds in the local elections pose risk since local elections was held in 2020 and 2021. Even though, election fraud is prescribed as money laundering predicate offense for the election at all levels, selling votes and other forms of election fraud are often found once an election is held either at national or local level. No implementation of seizure and confiscation for election fraud has been conducted at the local level, like the national election.

Firearm trading should be made aware of and taken precautionary measures because the intense conflict in Myanmar recurred. Both illicit cross-border trade and online trading of firearm are growing.

Transnational organized crime becomes at significant risk as Thailand is a popular base for criminals from many regions. Several criminal organizations and gangs have sent their members to set up criminal branches or place their money laundering in Thailand. Not only transnational organization, but the authorities should also pay attention with domestic

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40 Terrorism Financing is specifically reported in Chapter 5.
organized crime. Illegal domestic organized crime is also operated by Thai gangsters, involving especially loan shark and extortionary protection fees.

Killing people for benefit is another serious crime. Even not many cases have taken place, the offense is so severe that should be taken seriously. It has been found in some criminal cases that some foreigners took their spouse to be intentionally murdered in order to get insurance payout. Or else, a murder-for-hire or gunman can be offered by those who is deployed by an agent or criminal association. Gunman association would be seriously taken as a criminal organization in which seizure and confiscation to their associations and leading members should be implemented.

Controls over black market is assessed as low in the risk assessment. Thailand criminalizes an offense of handling stolen goods or supporting offender who assist criminals to sell illicit goods, but the enforcement is often unsuccessful when authorities attempt to prosecute online platform or a middleman who could just produce an online platform to gather public engagement and deny the illicit good trade as personal deals.

Passport forgery is another concern where Thailand has found passport forgery gangs, supplying fake passport to gangsters, refugees, and immigrant workers to gain entry to countries all over the world.

<table>
<thead>
<tr>
<th>Offense</th>
<th>Likelihood</th>
<th>Consequence</th>
<th>Risk Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Election Frauds (House of Senates)</td>
<td>0.000</td>
<td>0.500</td>
<td></td>
</tr>
<tr>
<td>Counterfeiting Currency</td>
<td>0.313</td>
<td>0.071</td>
<td></td>
</tr>
<tr>
<td>Fraudulent Offenses against Fls Executives</td>
<td>0.125</td>
<td>0.179</td>
<td></td>
</tr>
<tr>
<td>Proliferation Financing</td>
<td>0.125</td>
<td>0.143</td>
<td></td>
</tr>
<tr>
<td>Kidnapping</td>
<td>0.125</td>
<td>0.036</td>
<td></td>
</tr>
<tr>
<td>Piracy</td>
<td>0.000</td>
<td>0.071</td>
<td></td>
</tr>
</tbody>
</table>

Crimes at low-risk assessment includes offenses with few incidents or adequate controls over criminal activities. From the risk assessment, risk avoidance or mitigation measure might not be necessarily performed at this stage but to monitor criminal activities and improve control measures against such crimes so that the risks would not expand or get more serious. Nowadays, the House of Senate comprises of appointed senators. As the senator election has not yet been held, the likelihood of election fraud does not exist. However, it should be precautionary when a
senate election is held in the future. Some offenses have been found but caused a low damage such as: kidnapping which rarely happens and most cases are usually not-for-profit (i.e. family conflict and no ransom) and not committed by criminal organization; breach of trust committed by financial institution executives which is also rare with a well implementation of self-regulatory and fit-and-proper measures for executive qualification and recruitment; and currency counterfeit which people are well acknowledged on how to detect the fake money. Other offenses are at a very few cases overall or does not exist. These include pirate and proliferation financing.

Other Profitable Crimes out of the Predicate Offense List

The Constitutional Court has dismissed the listing of tax evasion and tax fraud as ML predicate offense, claiming that the implementation of measure against general tax offenses is unproportionate and beyond necessity. However, within the court ruling itself the Constitutional Court understands the state’s necessity pursuant to an obligation to comply with the recommendations of FATF in prescribing serious tax crimes with AML. Thus, such offences should be instead provided as a predicate offence in section 3 of the Anti-Money Laundering Act 1999 with a limit to serious tax offense committed by criminal organizations or with the intention to cause serious damage to state interests, or by professional criminals.

In addition to tax crime, some profitable crimes pose a high risk to the country, while they are not listed as money laundering predicate offenses.

<table>
<thead>
<tr>
<th>RECOMMENDATION TO ADDITIONAL PREDICATE OFFENCES</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOAN SHARK</td>
</tr>
<tr>
<td>2,383 Cases</td>
</tr>
<tr>
<td>IMMIGRANT SMUGGLING</td>
</tr>
<tr>
<td>768 Cases</td>
</tr>
<tr>
<td>CHILD PORNOGRAPHY TRADE</td>
</tr>
<tr>
<td>92 Cases</td>
</tr>
<tr>
<td>ILLEGAL SURROGACY</td>
</tr>
<tr>
<td>7 Cases</td>
</tr>
</tbody>
</table>

Thailand has a large shadow economy where many street vendors, landless farmers, local farmers, or rural people cannot manage to get loan access to formal financial services. As a result, this drives the growth of underground lenders who pose a high risk of loan shark or deception. Loan sharks are illegal in Thailand, and may involve with criminal organizations. The offender commits crime by mean of charging exorbitant interest rates and then threatening to collect money that are considered extortion. Alternatively, they may push the debtor to sign an agreement with exceeding loan amounts. This intentionally causes the debtor to lose their properties mostly land or house, even within the court rule and civil litigation. By prescribing such loan sharks and loan deceptions as a predicate offense, victims of such unfair and deceptive

41 Excessive Interest Rate Prohibition Act 2017 prohibits the collection of interest on loans exceeding 15 percent per year, punishable by imprisonment for not more than 2 years or a fine of 200,000 baht.
treatments will be easier to get their assets back and the measure would help preventing and suppressing the crime more effectively.

Immigrant smuggling is a high-risk offense and has not yet been prescribed as predicate offense, while Thailand is a source, transit, and destination of illegal immigrant smuggling. This offense is another important transnational crime in terms of prevalence, volume, numbers of victims, and establishment of criminal organization. Immigrant smuggling are significantly liked to other serious offenses such as forced labour, prostitution, human trafficking, and this crime also drives other crimes that facilitate smuggling such as corruption, forgery of passports, and fake passport distribution.

The US State Department’s Trafficking in Persons Report (TIP) 2021 reveals that there are more than 260,000 suspicious cases of online child pornography that may involve Thailand. Nevertheless, only just under hundred cases brought about investigations and arrests. The crime has not yet been prescribed as a money laundering predicate offense even though it generates huge amounts of income through online trading worldwide.

Lastly, illegal surrogacy is currently an offense under the Protection of Children Born Using Assisted Reproductive Technology Act 2015. However, authorities have found many cases that foreign perpetrators hire Thai and Southeast Asian women as surrogate mothers or to pretend to be real mothers in return to a big amount of money. Such as offense should be taken seriously due to a high possibility of human trafficking involvement with the infants.

<table>
<thead>
<tr>
<th>Offense</th>
<th>Likelihood</th>
<th>Consequence</th>
<th>Risk Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans Shark</td>
<td>0.625</td>
<td>0.500</td>
<td>⬠</td>
</tr>
<tr>
<td>Immigrant Smuggling</td>
<td>0.594</td>
<td>0.536</td>
<td>⬠</td>
</tr>
<tr>
<td>Child Pornography Trade</td>
<td>0.625</td>
<td>0.393</td>
<td>⬠</td>
</tr>
<tr>
<td>Illegal Surrogacy</td>
<td>0.313</td>
<td>0.214</td>
<td>⬠</td>
</tr>
</tbody>
</table>

By the same assessment methodology, most of such non-predicate offenses are assessed as high risk. Thus, such offenses should be additionally prescribed as ‘predicate offense’ in the AMLA law where strict confiscation measure and preventive financial measures could be implemented against the perpetrator to strengthen the level of control.
CHAPTER 4
THE ASSESSMENT OF ML CHANNELS

Money laundering is a process of concealing criminal proceedings from illicit origins and converting them into legitimate sources. These can be done by various methods through different channels such as banking, financial services, payment methods, relevant businesses, business nominee or individual professions. Countries with strict supervisory measures over those businesses and channels can effectively obstruct criminal activities, or when profitable crime happens, it can easily trace the financial movement and recovery evidence to enforce criminals and confiscate their assets.

This chapter provides a risk assessment of the financial and non-financial institutions that may pose risks of money laundering. Financial institutions include banks and other depository or lending providers, capital market, cooperatives, insurances, money services business (MSB) sector that includes money changers, money transfer agents, e-money and e-payment service providers, and virtual asset businesses. Non-financial institutions involve Designated Non-Financial Businesses and Professions (DNFBPs) and the reporting entities under the Anti-Money Laundering Act. Importantly, this assessment also includes entities, payment methods, or specific professions that pose a significant risk as ML channels, even though they are not yet regulated or controlled under the Anti-Money Laundering law.

Financial Institutions (FIs)

The financial institutions in Thailand include the banking sector, capital market, cooperatives, money service businesses, insurance sector and virtual asset service.

The Banking Sector

The banking business is the leading financial business in Thailand, with the highest amount of assets and the number of branches over other financial businesses and services. Banks provide a wide range of financial products and services such as money transfers, currency exchange, credit and debit cards, and payment services. According to the nature of their businesses, banking inherently poses the highest risks in ML.

Generally, criminals prefer to keep money in banks because deposits in bank accounts is secure and has high liquidity. However, as the banking sector strictly performs AML/CFT measures, Know Your Customer (KYC), Customer Due Diligence (CDD) and reporting of suspicious transactions, criminals have developed methods to hide their true intent and activities. In this respect, their methods are breaking up large amounts of cash into less conspicuous smaller sums before depositing into the bank account, setting up shell companies to conceal beneficial ownership and transactions, and carrying out a series of transfers or layering money to evade inspection from the government.
Bank of Thailand reveals that in the first quarter of 2021, there were more than 108,589,708 deposit accounts with a total credit line of over 14 million Baht. Presently, banks in Thailand are transitioning into a modern business that provides many services through online systems and electronic banking (E-Banking). The popularity of electronic banking has changed the situation of money laundering threats in Thailand. From the investigation and analysis of transactions that may be linked or related to the offences, there is an increase in the number of suspicious activity reports (SARs) filed relating to suspicions of money laundering through electronic funds transfers or E-payments. It is due to more convenient online services without requiring a face-to-face business relationship. It is important to remark that with the nature of such electronic transactions, they may be misused for money laundering or easier layering. The increase in electronic transactions is, therefore, a concern.

From 2018-2021, the Anti-Money Laundering Office analysed the transaction reports or the suspicious transactions that may be linked to crimes, approximately 688,215 transactions per year, with the wire transfer transactions of 613,632 cases per year or 89.16% of those analysed cases.

AN AVERAGE OF ANALYSSED TRANSACTIONS (2018-2021)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Cash</td>
<td>46,863</td>
<td>6.81%</td>
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<tr>
<td>Property</td>
<td>4,561</td>
<td>0.66%</td>
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<tr>
<td>Suspicious</td>
<td>6,834</td>
<td>0.99%</td>
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<tr>
<td>Wire Transfer</td>
<td>613,632</td>
<td>89.16%</td>
</tr>
<tr>
<td>International</td>
<td>16,325</td>
<td>2.37%</td>
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</table>

Capital Market

Capital market is associated with predicate offenses of price manipulation and illegal insider trading in the stock market. Also, capital markets may be misused for money laundering in concealing the source of illicit funds (Placement and Layering) and integrating money into shareholding or stocks of public limited company in the capital market. Money laundering in the capital market in Thailand is frequently associated with various crimes, including corruption, fraud, drugs, organized crime, gambling, human trafficking, tax evasion, etc.

It is also valuable to the white-collar criminals who carry out money laundering in the capital market rather than street crime offenders because they are sophisticated with the capital market’s complexity of products and services and its strong AML measures. Government officials

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42 Financial statistics and payment systems statistics, Bank of Thailand.
or politicians are also involved in the laundering of proceeds of corruption through investments in the capital market through their nominees, and insider information from their political status could involve in price manipulation and insider trading. Shareholding and stocks in the capital market tend to be a major source for ML rather than directly invest in or is involved in the capital market agent such as securities brokerage, funds management business, and capital market consultant.

**Cooperative**

Cooperatives have limited their membership to some certain groups of people and the regulation on Cooperative administration has restricted the shareholding of a member not exceeding one-fifth of the total shareholding. Thus, such conditions cause the ML through cooperatives unattractive. However, cooperatives sometimes are used by the money launders to avoid the strict KYC/CDD measures in commercial banks and other financial institutions. Cooperatives in Thailand are small corporations; hence, their internal auditing and management systems are less strict. Criminals may attract cooperatives members to be a nominee in depositing illicit funds into a cooperative account where the customer database, information sharing, and internal audit are usually less systematic than other financial institutions.

There are also some predicate crimes in association with the cooperative’s operation including corruption of cooperatives’ executives, bribery in the procurement process, price manipulation in cooperative’s products, embezzlement of cooperative’s funds, and Ponzi scheme where the executives use the cooperative as a front to promote fraudulent financial products to deceive people.

**Money Service Business**

Money Services Business in Thailand can be divided into three groups: money changer, money transfer agent, and electronic money and electronic payment. Bank of Thailand reveals that in 2020 there were more than 2,399 authorized money changers and 7 authorized money transfer agents with 1,379 branches nationwide. Money changers and money transfers business have been identified as having ML risks because they are a convenient way for transnational criminals to move the proceeds across border. Therefore, Thailand has carried out various AML measures and additional control and supervisory measures to mitigate the risks; for example, set the threshold limit of transactions, the record and collection of customer data and the customer due diligence (CDD) measure. In addition, apart from public authorities, the Thai Association of Foreign Exchange and Money Services has developed a database system for exchanging information on suspicious customers/behaviors among members of the association.

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43 Authorized Money Changers Statistics, Bank of Thailand.
The risks of this sector are from unauthorized money changers and unregistered money transfer agents, located in the capital city and along the border of Thailand. These underground business poses a high risk because its transaction is anonymous and difficult to track.

The money services businesses also include electronic Money (e-Money) and electronic Payment (e-Payment), which are currently increasing due to the change in technology and thriving online trade. According to the Bank of Thailand, in 2020, there were 24,163,921 credit card accounts issued by credit card operators,\(^44\) and 107.7 million e-money accounts with the value of e-money topping up at 314,424.94 million Baht, and the value of using e-Money for purchase was up to 309,550.86 million baht.\(^45\) Previously, there was the common idea that e-Money was used for buying daily life products with a small amount; hence it is unattractive for money laundering. However, evidence reveals that e-Money can be used as a payment method for illicit goods and services such as drugs, weapons, online gambling, and pornography, as criminals understand that e-money and e-payment transactions are difficult for authorities to monitor compared with banks or other financial institutions. According to the Department of Special Investigation, many child pornography case studies reveal that criminals used e-money as a payment method, also it is found that the perpetrator invented an online-application to covert money from e-payment account to PayPal. The information of money receiver from e-money is properly recorded in their account details, but it is still difficult to detect the sender because the money top-up can be easily purchased at every convenient store.

**Insurance**

The insurance sector comprises two business segments: life insurance and casualty insurance. The insurance sector poses a low ML risk because the nature of the insurance products is unattractive for money laundering. For life and casualty insurance, no insurance payout is made unless life or casualty damage happens. There are some long-term deposit insurance policies. The deposit insurance is like a monthly or annually fixed deposit account but is still lower liquidity.

The insurance policy might be used for insurance fraud where a perpetrator kills someone to obtain insurance payout or other fraudulent activities to dishonestly claim for insurance benefits.

**Virtual Asset Business (Digital Asset Business)**

Thailand has enacted the Royal Decree on Digital Asset Business 2018, to regulate the virtual assets and businesses undertaking virtual asset-related activities. This law does not prohibit the use of virtual assets but rather ensures the legal trading of virtual assets under the control and supervision of the Securities and Exchange Commission (SEC).

\(^{44}\) Value of usage of plastic cards for payment, Bank of Thailand.

Under Thai law, authorized virtual assets comprise two forms: cryptocurrencies and digital tokens. Virtual assets may be issued, traded, and exchanged through an operator licensed by the SEC. The law also requires authorized operators to follow the AML/CFT procedures such as KYC/CDD, ongoing monitoring, and suspicious transaction reporting.

Despite existing control measures and record keeping of virtual asset exchange, virtual assets are at risk of being misused because the record keeping can declare only amounts of exchange, but origins and sources are still anonymous. Additionally, if users do not trade or exchange virtual assets via licensed operators but make transactions peer-to-peer or on unauthorized platform, it still becomes a gap beyond the authority’s control.

**Designated Non-Financial Businesses and Professions (DNFBPs)**

Designated Non-Financial Businesses and Professions (DNFBPs) are businesses or individual professions who are not operated as financial service providers, but they are able to be used as money laundering methods or assisting the perpetrator to commit ML/TF/PF; therefore, such sectors can be used for ML/TF/PF and should apply for AML/CFT measures. The DNFBPs in Thailand include jewelry and gold dealers, real estate agents, legal professionals, accountants, and trusts. For casinos which are in the DNFBPs list, this business is still illegal in Thailand, so casinos and other gambling businesses have never been yet regulated.

**Jewelry and Gold Dealers**

In 2020, there were at least 7,500 gold stores and 10,999 jewelry sellers in Thailand. Most sellers are retail businesses at 8,831, with small-scale retail at 63.73%. Due to the high value of gold and jewelry and the convenience of exchanging them for cash, criminals frequently use them as money laundering vehicles. Gold and jewelry transactions are also highly anonymous and difficult to trace. Criminals may convert illicit money and crime proceeds into gold and jewelry and carry them anywhere in the world.

The related predicate offences which have been repeatedly found to involve in gold or jewelry shops are drugs dealer, fraud, embezzlement, illicit arms trafficking etc. The most often ML methods with gold or jewelry shops include: a nominee front gold and jewelry traders to arrange the transaction on behalf of criminals; different persons to be payer and goods receiver to cover the trails; and nominee purchaser of golds or jewelry.

Although these sectors are required by law to carry out KYC/CDD measures and record-keeping, but most businesses are small size with a small number of employees and do not have capable technology or effective customer identification process, so they are abused for money laundering.

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46 Gold trading business statistic, Gold Traders Association.
**Real Estate Agents**

In Thailand, real estate agents can be operated by either a real estate entity or a person. Only the first group is designated to carry out AML/CFT measures. The real estate agents pose ML risk because purchasing real estate involves a large amount of funds, as can be seen in the case of some foreign criminals who prefer to hide and own property in Thailand, such as condominium units which are legally for foreigners to purchase. Furthermore, there have been attempts to own land or house by circumventing Thai regulation that prohibit foreigners from holding land, such as by establishing an illegal proxy or nominee on behalf of foreign criminals or by setting up a front company or a joint venture company through a camouflaged agent and holding real estate on behalf of the company. In this respect, such activities are frequently assisted by real estate agents who can advise on legal loopholes. Thai Real Estate Broker Association plays important role in promoting the AML/CFT compliance of its members. The Department of Lands also report real estate transaction valued exceeding the threshold and suspicious transactions which helps monitoring the suspicious transaction conducted by the real estate agents.

**Legal Professionals and Accountants**

Legal professionals and accountants may not be directly involved in profitable crimes but rather be specialized advisors for their clients in seeking to conceal their illicit proceed with legitimate financial system. The misuse of their service for money laundering includes provide legal advice, managing property, window dressing, providing covert agents, tax evasion, fake documentation etc., and they may be involved with transnational organized crimes for advising on property holding in Thailand, which the regulation restricts foreign ownership of real estate.

The legal professionals and accountants are currently not designated as reporting entities. Thus, the control over these professionals relies on self-regulatory ethical control through their professional associations, the Lawyers Council under the Royal Patronage and Federation of Accounting Professions under the Royal Patronage. In this concern, there have been efforts to designate a professional accountant or lawyer as a reporting entity and designated responsibilities to report suspicious activities.

**Trust**

The Thai law do not recognize trusts and trustees unless it is a trust for transactions in the capital market under the Trust for Transactions in Capital Market Act 2007. The trustee under the aforementioned law must be a financial institution, securities firm, or a juristic person according to the conditions and rules imposed by the SEC.

Although Thai law does not utilize the establishment of trusts (except trust for investment in the capital market), it is not a prohibition for overseas trusts to invest in and operate business in Thailand. These foreign trusts may pose ML risks since foreign criminals can place their asset
to invest through trusts. Also, Thai criminals may establish trusts overseas and return money to invest in Thailand.

Thailand does not take a direct control over trust as it is not recognized in Thai legal system. However, AMLO issued Prime Minister Office Notification to require financial institutions including securities brokerage agents to conduct KYC/CDD record keeping of transaction and reporting suspicious transaction of customer identification for overseas trusts and trustee who come to invest their businesses in Thailand.

**Other Businesses Designated as Reporting Entities under the Anti-Money Laundering Act**

In addition to the Designated Non-Financial Businesses and Professions (DNFBPs) defined by the FATF, Thailand has also designated some businesses at risk or may be associated with money laundering to be reporting entities. This sector is the risk assessment of the businesses, which are the reporting entities obliged by AML/CFT requirements under the Anti-Money Laundering Act, including car and used car dealers, leasing (non-Fi), antique shop, and personal loan (non-Fi).

**Car and Used Car Dealers**

Car and used car dealers pose a medium-high ML risk because criminals often convert their criminal proceedings into luxury cars. Seizure and confiscation statistics from the Anti-Money Laundering Office indicated that luxury cars are one of the most often seized assets, which are involved in different types of offense such as narcotics, corruption, customs evasion, specifically from gambling and public cheating and fraud, that the offender usually utilizes luxury cars to attract or lure the victims. Furthermore, many luxury cars are imported through independent car importers, whereby the declared prices were below the market price. This is not only related to customs tax evasion, but some independent car importers may also have a connectivity with criminals, even some of them are invested by criminals’ illicit funds. Currently, Thailand has enforced the AML measures for car and used car dealers. They are required to report car and motorcycle sales by cash threshold over 2 million Baht or any suspicious transactions.

**Leasing (Car Leasing)**

The consumer product leasing business is not under the supervision of government agencies, except for financial leasing or in a financial institution or a company affiliated with a financial institution. They are under the supervision of the Bank of Thailand and subject to AML/CFT requirement under the AMLA. Car leasing is a non-financial institution designated as a reporting entity under the Anti-Money Laundering Act. However, the reporting duty is prescribed only for the vehicle leasing service, not for other leasing businesses such as machine, boat, or personal airplane.
The ML risks associated with the car leasing business are similar to those in the car and used car dealer sectors. Criminals may use several methods to launder money through vehicles, including leasing (or buying or hire-purchasing) a vehicle with cash or running a dealership to conceal the illicit origin of funds and then sell it as a legitimate asset.

It must be noted that the weak oversight mechanism of unregulated leasing can increase the opportunity of ML involvement or non-implementation of reporting obligation.

**Antique Shop / Secondhand Exchange**

An antique shop and secondhand exchange dealer are under the Control of Sale by Auction and Secondhand Exchange Act 1931. These businesses are required to register and conduct record keeping of customers and goods under the secondhand exchange control regulation. Nowadays, they are also designated under the AMLA law as a reporting entity, responsible for reporting sales and purchasing transactions exceeding the threshold and suspicious transactions to the AMLO. This business sector poses a significant risk of money laundering because money launderers can easily conceal their illicit funds into portable goods such as antiques, amulets and votive tablets, watches, and other collectable goods, etc. These goods do not have a traceable record keeping and trails of ownership change through registration and their prices vary depending on buyers’ preference. The risk of ML to secondhand exchange can be created by anonymity of transaction and a wide-ranging value of goods where money launderer can use pricing gap to conceal the actual payment, while the control and supervision over such businesses are difficult because most of them are scattering small retailers and they tend to not conduct a proper record keeping with systematic database.

**Personal Loan Business under Supervision**

Personal loan business under supervision is a microfinance (non-bank) or personal loan lender under the supervision of the Ministry of Finance. This sector is also designated under the Anti-Money Laundering Law as a reporting entity, who has to report transactions exceeding the threshold and suspicious transactions to the AMLO. Like any other lending business, loans and mortgages can be taken as a cover of illicit money, and lump sum cash repayments are used to repay the loans or mortgages. However, the misuse of the personal loan sector was relatively low as the majority of customers are people with low incomes, and assets for personal loans tend to use in small amounts. In terms of government regulation, the Bank of Thailand also enforced regulations on personal loans, such as granting credit lines based on income level to limit debt to not exceeding debtors’ payment ability. Although these measures aim at reducing vulnerability to over-indebtedness, they can also obstruct ML risks in this sector.

Even though personal loans are supervised and are limited to provide small amounts of lending, some risks are driven by a widespread of loan lenders in many areas where street or local criminals can easily get access to the service. In addition, the Thai government has currently promoted microfinance to support low-income people to get access to formal loans in order to prevent loan shark and deception. Some loan lending providers (i.e., Pico and Nano Finance) have
been successively established, but the AML measures over such microfinance have not yet been implemented.

**Other Channels**

This section discusses entities, payment methods, or specific professions that pose a significant risk as ML channels, but they are not yet regulated or controlled under the Anti-Money Laundering law.

**Pawnshop**

A pawnshop or pawnbroker is a business that lends money based on collateral such as gold, jewelry, electronic items, or other valuable properties. The pawnshop keeps the collateral and returns it when the loan is repaid. In Thailand, the pawnshop can offer secured loans of a maximum of 100,000 baht per customer. In 2021, the Thailand pawnshop market was valued at 76 billion baht. There are 277 state-owned pawnshops and 453 registered private pawnshops operating across the country. 99% of the collateral was gold, semi-gold, silver, and jewelry. The case of misuse of service in a pawnshop is that offenders obtained cash by selling or pawning stolen goods. However, as previously mentioned that pawnshop is an institution with small-scale lending (secured loans not exceeding 100,000 baht). Therefore, the risk of being used in money laundering seems low.

The pawnshop is not designated as a reporting entity under the Anti-Money Laundering Act. However, a pawnshop business in Thailand requires a license from the Ministry of Interior and is responsible for gathering customer information, identification, and record-keeping under the Pawnshop Act 1962. The pawnbroker is also responsible for reporting suspicious activities to provincial administrative officials.

**Unregulated Digital Asset Platform**

Financial technology, also known as Fintech, is an innovation that makes a speed and convenient alternative payments to formal payments under authorized financial services. Lately, Fintech innovation has spread broadly and become another popular payment method and capitals for investment. Thailand has regulated Fintech by taking control over cryptocurrency and digital token in the process of exchange via authorized brokers. However, this is just a part of Fintech circle. There are many platforms of Fintech beyond state control and regulation. Despite state controls on exchange, cryptocurrencies and other Fintech platforms are operated worldwide on a peer-to-peer basis where the state regulation cannot truly interfere with them. A case example is shown when the Thai government attempt to interfere a Fintech platform by announcing that the website is illegal in Thailand. This website however still carries on operation worldwide, and Thai users have a little impact to its volume of transaction. The website has no interest to specifically register for Thailand domestic operation. By contrast, the website can operate as usual, even for the Thai users’ peer-to-peer.
Financial crimes also developed with the advancement of technology. Fintech tends to be misused for money laundering due to its anonymity, non-face-to-face contact, unlimited users and transactions, and long-distant transaction ability i.e., the use of cryptocurrencies as an exchange channel for illicit goods or services, the holding of Fintech assets on decentralized peer-to-peer systems to hide criminals’ illicit sources, and the use of Fintech platform on Dark Web.

In addition to the use Fintech and cryptocurrencies as a money laundering method, it has also been found that digital assets can facilitate criminal activities. In Thailand’s well-known case example, an unknown criminal carried out a ransomware attack on a state hospital’s patient database and demanded 200,000 bitcoins for data recovery. Similar cases have been repeatedly found on different targets, both private companies and state entities.

**Business Nominee**

Nominee arrangement is another important method of money laundering where criminals usually set up a front legal person on a business or come to take over a business by their own with their illicit funds to avoid tracking. Business nominee in Thailand could be divided into three categories: shell company, front company, and shelf company. According to case studies, it was found that corporations could be misused by nominee arrangements in various ways; for instance, establishing shell companies to disguise and launder illicit funds; setting up legitimate businesses for converting illicit funds; establishing nominee corporations in the Offshore Financing Centre (OFC) or tax havens countries; or investing in shareholdings and stocks of legitimate businesses which can be done in either small or large companies, or even in public limited companies in capital market together with price manipulation and insider trading. It also found that business nominees are involved in cross-border money transfers for money laundering in Thailand.

Criminals involve business nominees with various types of crime, including setting up shops for cross-border money transfer and asset holding (e.g. drug trafficking and arms trafficking), using business to facilitate their criminal activities (e.g. luxury car smuggling and customs tax evasion), concealing their illicit money (e.g. corruption) and transnational crime organizations’ investment in legitimate businesses or gray businesses to expand their criminal activities.

**Trade-based Money Laundering**

Trade-based money laundering (TBML) involves the exploitation of the import and export of goods and cross-border trade finance. TBML includes many techniques in manipulating pricing gap between actual payment and declaration of total payment and then place their illicit money into the gap to be seen as legitimate trading or transaction, for example, overestimated or underestimated invoices, duplicate invoices for the same goods for many transactions, transporting lower amounts of goods than actual purchasing, and false declaration in spec or amounts of goods, etc. Currently, TBML is a growing risk of money laundering in many countries.
International trade is significant for the growth of the Thai economy, as can be seen from the country’s international trade-to-GDP ratio is high. Based on the statistics of the Customs Department in 2020, Thailand has a total trade value of 13.6 trillion baht with a wide range of export and import products. Thus, TBML has become a challenge because it is extremely difficult for the authorities to detect TBML with the large volume and vast varieties of imports and exports.

TBML schemes are also associated with the smuggling of illicit or restricted commodities through import and export channels such as drug trafficking, arms trafficking, wildlife trafficking, car smuggling, motorcycles smuggling, etc. Traffickers may camouflage such smuggling or illegal products into import or export and then deliver them through normal shipping. Repeatedly, customs authorities can seize illegal products within containers or parcels in all sea, land, and air freights.

The Customs law allows the competent authority to seize only smuggling or illegal products. There is not a clear legal authority power to seize legitimate products with false documentation. In principle, the anti-money laundering law might give power to freeze and seize these products for civil forfeiture measure. However, these products cannot be seized unless a relation with a predicate offense is discovered. In practice, it is very difficult to reveal the related crime with suspicious transaction or transportation merely. Even if they are seized, the authority might discover only a front shell company who arranges the shipment, and the value of seized products might have only a little impact to the perpetrators’ illicit funds.

Cash Courier

Cash courier is another money laundering channel that might be used as a money laundering method to facilitate cross-border trading for illicit goods or products. Or else, criminals might take money outbound to further ML in foreign countries or carry the money inbound to commit ML within the Thai territory.

In accordance with cash courier regulation, any person who carry cash inbound and outbound the country exceeding the threshold is required to declare it to the customs authorities or request a permission to the Bank of Thailand.47 If not, the cash holder would be subject to be arrested and fined. In practice, the Customs Department will share cash cross-border declaration information and the non-declared case to AMLO for further analysis.

47 The outbound threshold for Thai currency is not over 50,000 Baht, besides the cash holding to certain neighboring countries including Cambodia, Laos, Myanmar, Malaysia, Vietnam, and Yunnan Region of China, the threshold is 450,000 Baht. The cash holding over the limit needs to request a permission to the Bank of Thailand. The Thai currency inbound does not have a limit. For foreign currency, the threshold for both inbound and outbound cash holding is equivalent to 15,000 USD. There is no limit of cash holding of foreign currency but need to declare to the customs officer at the customs checkpoint if the amount of cash is over the threshold.
To the extent of cash courier control, it might not be fully effective. It is currently defined by the customs law that the non-implementation of cash courier regulation is a customs offense, prescribed as a ML predicate offense. By contrast, the cash courier offense might be identified only as a false declaration of customs in the prosecution and trials whereas seizure and confiscation of cash holding is not allowed and unproportionate unless a relation with other serious unlawful activities is discovered. In such cases, the customs authority would merely impose fine penalties which might be inadequate to deter criminal cash courier. In addition, the cash courier offense tends to be clearance after imposing fine penalty without furthering to money laundering investigation. Cash couriers who declare the cash holding are regularly reported to the AMLO for analysis through the information sharing system, but many fined cases are underreported as cases were settled.

**Non-Profit Organization (NPOs)**

At present, there are 84,099 NPOs in Thailand. NPOs pose an ML risk because this sector has substantial cash flows, and they are also involved in untraceable funding sources such as fundings from anonymous donors or small cash gathering from donations box. The non-profit organization income is generated by fundraising, philanthropy, and donations. Their incomes are mostly in cash, also making it difficult to determine the actual amount of income and real beneficiaries.

Another risk of NPOs is relevant to their internal management and auditing where their operation and income are not disclosed to the public. It could have exacerbated the NPOs operation by poor auditing and unclear balance sheet. Nowadays, Thai NPOs and foreign NPOs which operate in Thailand have to register and report annual accounting audit. However, a specific regulatory law for NPOs might be required for NPOs transparency and proper inspection.

**The Risk Assessment Results**

This part of the risk assessment analysed specific financial services, payment methods, and relevant businesses or professionals as such methods and channels can be misused for money laundering. Recently, Thailand has developed the country’s legal framework and has intensively implemented supervisory measure and control over relevant businesses and individual professions. No ML channel is assessed as ‘extreme risk’.
1. Thai Commercial Bank
2. Specialized Financial Institutions
3. Unregulated Digital Asset Platform
4. Business Nominee
5. Cash Couriers
6. Trade-based Money Laundering
7. Digital Assets Business
8. Money Transfer Agents
9. Car and Used Car Dealer
10. Foreign Commercial Bank
11. Money Changer
12. Real Estate Agent
13. Antique Shop or Secondhand Exchange
14. Jewelry or Gold Dealer
15. Pawnshop
16. NPOs
17. E-money or E-payment Services
18. Lawyers, Legal Professionals or Accountants
19. Cooperative
20. Leasing
21. Finance Company
22. Credit Foncier Company
23. Securities Brokerage and Derivatives Agent
24. Personal Loan Business under Supervision
25. Fund Management Business
26. Trust
27. Life Insurance
28. Casualty Insurance
29. Investment Units Brokerage
30. Assets Management Company
31. Financial Advisor
32. Venture Capital Management Business
33. Securities Investment Advisor
From the risk assessment, it did not find any specific financial products, payment methods, relevant businesses, or professionals at ‘extreme risk’ or critical danger. The business sectors assessed as high risk are banks and specialized depository financial institutions (Government Housing Bank, Government Savings Bank, Bank for Agriculture and Agricultural Cooperatives, and Islamic Bank of Thailand). The high-risk assessment is driven from the nature of service accessibility with the largest number of branches covering all areas nationwide. Furthermore, they also offer various financial services and products such as money transfers, currency exchange, electronic cards, electronic payments, etc. It should be noted that banking businesses recently increase their inherent risk due to the increasing popularity of online banking. Another common risk in the banking sector is the misuse activity of using other people’s accounts (nominee accounts) to conceal financial transactions and true beneficial owners from the investigation.

Other channels that are at high risk of money laundering are those that lack adequate regulations and supervision such as: (1) Digital asset providers or platform which are not regulated; (2) business nominee, that still lack adequate measures to investigate the actual profile of the business and true beneficiaries as well as money laundering in foreign companies in Tax Haven countries; (3) cross-border cash courier which is still plagued by legal restrictions and coordination procedures; and (4) TBML where the current legal framework is designed to supervise normal international commerce without a strong legal framework for inspecting suspicious trading to ML.

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<tr>
<td>Trade-based Money Laundering</td>
<td>0.625</td>
<td>0.286</td>
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Thailand is active in transaction reporting and analyzing Suspicious Transaction Reports (STRs). In 2020, 1,051,129 financial transactions and 6,983 STRs were analyzed. As a result, the Transaction Committee could issue the assigned order to conduct in-depth investigation on 655 cases. A significant challenge in reporting and analyzing STRs is that DNFBPs is still underreported. Additionally, there are enforcement limitations due to the legislative definite listing of predicate offences under the Anti Money Laundering law, where forfeiture or confiscation cannot be done unless sufficient evidence indicates that the assets, persons, and transactions are related to a predicate offence. It is found that many suspicious transactions are flagged, but the competent authorities cannot commence freezing and seizure process unless there is a reasonable ground to believe that such asset is in connection with the underlying predicate offense.
In sectors of the medium-risk assessment, Thailand has developed regulatory measures to supervise relevant businesses comprehensively. However, a significant risk is still found in informal businesses. Informal businesses are at higher risk because such businesses do not intentionally implement AML obligations. There are unregistered or unauthorized business operated such as underground banking or Hawala and unauthorized money changer, unregistered secondhand exchange or black markets, and unauthorized dealer who provides online digital asset exchange and trading. A challenge for the next step is to push forwards such businesses to register and authorize under the supervisory and regulatory system in order to mitigate the sector risks.
Some DNFBPs are not designated as reporting entities under the Anti-Money Laundering Act, which are casinos, legal professionals and accountants, microfinance, trusts, pawnshops etc. Therefore, Thailand may need to implement appropriate regulations, measures, and oversight mechanisms for these businesses or professionals to mitigate their risks.

Other financial institutions, payment methods, businesses, and relevant channels are assessed as low risk. They are rare or do not exist to be used as ML channels.
CHAPTER 5

THE ASSESSMENT OF TERRORISM FINANCING

Terrorism has become a global threat. Terrorists engage in both legitimate and illegitimate activities to generate profits for maintaining their terrorist organization and carrying out their operations. An effective countering terrorism measure is to cut off the resources and disrupt the terrorist networks. Therefore, the countering measures against TF are essential to prevent and suppress terrorism since the international community and all other countries have implemented counter-terrorism financing (CTF) as a part of ML measures.

According to FATF Recommendations, it is an obligation that all jurisdictions cooperate in the fight against ML and TF and take serious actions to prevent and suppress terrorism and terrorism financing. In this respect, countries should carry out a risk-based approach to understand their TF evolution, as terrorists use both legitimate and illegitimate means to raise funds. The challenge is the different threat analyses between ML and TF; therefore, a specific TF assessment would be applied to the National Risk Assessment for an accurate understanding of the TF risks.

Situation of Terrorism Financing Risk

The southern border provinces of Thailand remain in an ongoing conflict. There have been conflicting violent incidents from people who have different opinions and ideologies from the state. However, they have never taken a territorial control over any district or a military warfare. Their movement cannot be regarded as the international terrorist movement or armed conflict.

Thailand enacted the Counter Terrorism and Proliferation of Weapons of Mass Destruction Financing Act in 2016 to comply with the international standard of FATF. The law has criminalized the TF and PF offenses and provides financial sanctions against persons or organizations associated with terrorism financial support. The Anti-Money Laundering Office has designated 226 persons as terrorism financiers and the AMLO has ordered the restriction of any financial movement against those persons and the freezing of their assets valued at 5,308,962.52 THB, mostly bank account deposits, insurance policies, ownership of instalments or hire purchase goods and real estate properties. In addition, the police have charged 24 cases of TF during the year 2018 – 2020, an average of 8 cases per year.

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48 Recommendation 7 of FATF
49 List of Designated Persons under section 7 (Thailand List) of Counter Terrorism and Proliferation of Weapons of Mass Destruction Financing Act 2016, AMLO
50 Detectable cases from the Police Crime Record, Royal Thai Police
The Institute for Economics & Peace (IEP)’s Global Terrorism Index 2020 shows that Thailand is ranked 21st among 135 countries worldwide and rated the country’s seriousness of terrorism as moderate according to a high number of casualties from the conflicting violent incidents in the southern border provinces.\(^{51}\) From 2004 – 2021, there were 9,444 incidents, 5,780 people died, 12,131 were injured, and 867 became disabled. However, the number of the incidents has declined steadily since 2017, with the lowest at 51 cases in 2021.\(^{52}\) The 51 cases still pose significance to Thailand’s TF risk as such the conflict has been carried on. The violent movement still exist and are certainly involved in raising funds and supporting resources for their operation, weapon supply, training, shelter, allowance, and compensation for members.

### COUNTER-TERRORISM FINANCING MEASURES 2018-2020

- **226** PERSONS
  - DESIGNATED PERSONS/ENTITIES
- **5,308,962.52** THAI BAHT
  - ASSETS FROZEN
- **24** CASES
  - FOR TERRORIST FINANCING OFFENSE

### IMPACT FROM TERRORISM 2004-2021

- **21** th RANKING
  - MOST IMPACTED COUNTRY
- **9,444** INCIDENTS
- **5,780** DEATH
- **12,131** INJURIES
- **867** DISABLED

The violent movement in the southern border provinces’ activities involves three stages of TF: raising funds, moving funds, and using funds. In this regard, the raising fund is identified as the highest risk, such as self-funding through faith donation or deriving from criminal activities including drug trafficking, motorcycles theft, migrant smuggling, goods smuggling etc. Finally, it might not be apparent, but there is a connection between some TF offenders and some NPOs, where the offenders might use some front NOGs to raise funds through charities and government or foreign grants.

In moving funds, TF offenders have adopted various payment methods to evade authorities’ attention. Individuals are moving funds through cash couriers or banking

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\(^{51}\) IEP, Global Terrorism Index 2020: Measuring the Impact of Terrorism., Sydney: IEP, 2021

\(^{52}\) Insurgency and Victims Statistics, the Southern Border Provinces Administrative Center
transactions in small amounts to avoid being suspected by the monitoring, as the low value of funds makes it difficult to identify TF movement. Some offenders even carry cash through a border checkpoint like typical travelers, or some might travel across the natural borderline to avoid a security check. In some cases, the offenders move their funds via money transfer agencies or money exchange services, as there are many money transfer services and money changers along the border. In this regards, foreign currencies can be easily purchased and exchanged for TF offenders who travel aboard (i.e., outbound pocket money for runaway or hiding out criminals or inbound financial supports from overseas entities) In moving funds via such money services, the offenders might move funds through unlicensed or underground services to circumvent the foreign currency transaction regulation and supervision. The information from the intelligence units also reveals that terrorism financiers might be capable of moving funds via peer-to-peer cryptocurrency exchange and NPOs’ transactions, but they are still inapparent and undetected.

In using funds, the south Thailand conflict poses significant risks in using funds for operation, administration, and propaganda. The spending on the attack and weapon supply is relatively minor compared to the administration. Information from the arrested member reveals that the estimated amount of funds in each attack is approximately 5,000 – 15,000 THB as the offenders often produce self-modified equipment or use stolen vehicles for operation. With an average of 200 – 300 incidents per year, the operation finance would be spent only 1,000,000 – 4,500,000 THB per year.

The majority of funds are spent on the group administration and sustaining their network, such as shelter and base, training, property maintenance, bribery, litigation costs, and compensation for injured members or families of the fleeing, detained, disabled or killed members. Some spending is on propaganda and calls for supporters. Traditionally, the offender creates a network through word of mouth and face-to-face meetings. However, nowadays, they can alternatively use online platforms to raise supporters, such as online campaigns, but the spending on this purpose is not much.

The total income and funds cannot be estimated because the information is hidden and unrevealed, completely unknown by the arrested members who draw the estimation to the authorities. However, the enforcement authorities and intelligence units raise the same point that the spending for operations is much lower than acquired amounts of the fund because a majority might become leaders’ own personal benefits.
In terms of vulnerabilities, seizure and confiscation measures under the AMLA can be applied for asset related to TF. However, it might be very sensitive in some circumstances. A case example of privately-owned land locating a religious school raised a serious conflict as the religious school is considered as public property that everyone is responsible for protecting. In this regard, the enforcement authority must be highly cautious in implementing control measures against religious organizations because they are closely relevant to sensitive religious beliefs, which could lead to misunderstanding against the government’s treatment. Alternatively, the competent authority should enforce a financial sanction under the CTPF law by creating a sanctioned list of persons in the terrorist network rather than carrying out control measures directly against religious entities.

In addition, the crime suppression in the southern border provinces of Thailand cannot be fully operated because the police and military officers are frequently subject to attacks. Such inadequate capable guardians simply increase the possibility of crime, which the offenders commit to raise their funds.

Even though most non-governmental organizations (NGOs) and non-profit organizations (NPOs) in Southern Thailand are operated honestly and are not related to the conflict, connectivity of few NGOs or NPOs with offenders has become authorities’ concern. Regarding NGOs and NPOs control and supervision, the control measures nowadays rely merely on the registration and annual balance sheet audit, which might be inadequate to detect TF movement and connectivity.

Importantly, some terrorism financing is contributed from overseas businesses, both illegitimate and legitimate businesses. Some businesses might be dishonestly set up by Thai people for a direct purpose to earn profits for TF. Even though most Thai businesses abroad are honest, some of them could be manipulated to distribute to TF activities. An example is the case of the overseas restaurant associations where most members are legitimate, they agree to pay some collective member fees to ease their business operation. Some funds from the member fees are...
spent on illegitimate purposes such as bribery and protection fees, upon request of the racketeering gangs or terrorism financers. Generally, the foreign authority reluctantly implements control measures against such business associations because it could obstruct other legitimate businesses rather than control a small number of illegitimate businesses. Thus, international cooperative measures against business associations are difficult to implement.

**TF Risk Assessment Results**

The risk assessment of TF is conducted by analyzing threats, vulnerabilities, and consequences. This section will consider the results of the TF risk assessment which is divided into two parts: 1) terrorism financing activities and 2) TF channels and methods.

**Terrorism Financing Activities**

The risk assessment analysis reveals that almost all TF activities aim at supporting the dissident groups in the Southern border provinces. Repeatedly attacks occur which shows apparent threats of TF to Thailand. However, existing control and supervisory measures are not comprehensively carried out due to several limitations and restrictions in the area. In this respect, Thailand’s risk mitigation should focus on lessening weaknesses and fulfil the loophole for more effective CTF.

The overall Thailand TF risk assessment does not find any extreme risk or critical danger as the conflict is limited in the area of Southern border provinces and tends to decrease steadily. Raising, moving, and using funds are the most critical risks and are assessed as high risk or high danger.
The highest risk is self-funding by faith donation, where the perpetrators build up a strong faith among members and their supporters and then induce them to voluntary donations for supporting their operation.

The second risk is profitable crimes. The offenders commit various crimes to generate criminal incomes to support their activities such as drug trafficking, robbery, vehicle theft, migrant smuggling, and goods smuggling. The level of control of such crimes is low, according to limited criminal suppression and surveillance because the officers are often targeted during operations.

The third is supporting funds from overseas. Some offenders set up their own businesses abroad to fund domestic dissident groups. The overseas business premises are also used as shelter and to employ fleeing criminals from Thailand. The level of control over overseas businesses is low. Any actions against business associations must be conducted with caution because most of Thai overseas businesses are not involved in the Thai Southern border conflict. Additionally, it is very difficult and challenging to push forwards a control measure over such businesses through the international cooperative measure.

The fourth is fundraising through NGOs or NPOs. NGOs and NPOs in the Southern border provinces of Thailand perform a wide range of services aimed toward human wellbeing, human rights protection, legal assistance, cultural promotion, and social welfare. Generally, such activities are not involved in supporting wrongdoings. However, the risk assessment reveals that a few NGOs and NPOs may have a connection with the offenders, as they use NGOs and NPOs to exploit and raise funds to hide their true intent; instead, providing charitable services to help those in need, such as civilian victims of violence, educational supports, religious activities, participation in the government campaign, and receiving grants from international organizations.
In the moving fund’s activities, the cash courier poses the highest risk, as there are no transaction records to trace transmitted money, while in the using fund’s activities, the significant TF risk is a fund used in operations, facilities, and administration.

<table>
<thead>
<tr>
<th>Offense</th>
<th>Likelihood</th>
<th>Consequence</th>
<th>Risk Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moving Funds (Money Changer / Transfer Services)</td>
<td>0.375</td>
<td>0.571</td>
<td></td>
</tr>
<tr>
<td>Assets Holding by Nominee</td>
<td>0.375</td>
<td>0.571</td>
<td></td>
</tr>
<tr>
<td>Using Funds on Propaganda</td>
<td>0.375</td>
<td>0.571</td>
<td></td>
</tr>
</tbody>
</table>

The medium level of TF risks are the moving funds through the money transfer agents or money changers, assets holding nominee, and the using funds on propaganda. The moving TF funds with money transfer agents or money changers could be committed via both licensed and unlicensed agents, while unlicensed or underground agents pose higher risks because their operation would not comply with the foreign currency transaction regulation and supervision. Some individuals and entities (mostly NPOs and private businesses) are exploiting as a front to hold assets on behalf of offender to conceal the origin of funds. Lastly, the TF funds are also spent in propaganda and calls for supporters through an online campaign and face-to-face meetings with individuals.

<table>
<thead>
<tr>
<th>Offense</th>
<th>Likelihood</th>
<th>Consequence</th>
<th>Risk Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terrorist Networking (FTOs)</td>
<td>0.250</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Traveling Overseas for Terrorist Purposes (FTOs)</td>
<td>0.250</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Fund Raising (FTOs)</td>
<td>0.250</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Campaign for Terrorist Support (FTOs)</td>
<td>0.250</td>
<td>0.000</td>
<td></td>
</tr>
</tbody>
</table>

FTOs = Foreign Terrorist Organizations

There is no apparent connection between Thai people and foreign terrorist organizations as all the risks related to foreign terrorist organizations are assessed at a low level. Therefore, risk avoidance and mitigation are unnecessary at this stage. However, the monitoring of foreign terrorist activities remains essential.
TF Channels and Methods

This part of risk assessment assesses specific financial services, payment methods, and relevant businesses or professionals in the extent of raising funds, moving funds, and using funds for terrorism financing.

In the risk assessment of TF channels and methods, cash couriers, bank, unregulated digital asset platform, and NPOs are all assessed as ‘high risk’ or ‘high danger’.
The cash courier is the most often used as it does not leave any trail to track the financial movement. Wire transfer through bank is another convenient method. When a small transaction is transmitted, detection of suspicious activities would be very difficult. Cryptocurrencies and new financial technologies are another concerning channel. Some financial technologies and digital platforms are unable to be regulated and cryptocurrency transactions through peer-to-peer is challenging to control and supervise because they are totally anonymous. In terms of NPOs, a possible connection between offenders and a few NPOs poses a significant risk of NPOs exploitation in raising funds and moving funds, while there are no specific law and inadequate supervision to detect the suspicious connection between NPOs and offenders.

Each operation requires a small amount of funding, so moving the funds is usually done in small sums or by cash courier. Despite AML’s requirement for financial institutions and designated businesses to report a transaction exceeding the threshold and suspicious transaction, such TF transactions are always under the threshold, making it very difficult to detect a suspicious financial movement. Bank transaction is at high risk because it is the most often-used payment method for TF as it is the most convenient and fast money transfer platform for long-distance transaction. Additionally, banking is identified as higher risk in terms of consequences because financial institutions’ implementation of AML/CTF can affect country investment and financial creditability and may result in foreign interference. However, the risk assessment reveals that Thailand has an intensive legal regulatory of ML/TF over financial institutions in providing transaction reports and targeted financial sanctions. All banking businesses provide the most strict and systematic implementation of AML/CTF compared to other financial services and businesses. Information sharing from banks, such as bank transaction data or other payment information, have been used in the investigation to trace the financial transactions of criminals and supporters. As a result, the risk level of banking is assessed lower than cash courier.

<table>
<thead>
<tr>
<th>Channel</th>
<th>Likelihood</th>
<th>Consequence</th>
<th>Risk Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Couriers</td>
<td>0.625</td>
<td>0.464</td>
<td></td>
</tr>
<tr>
<td>Bank</td>
<td>0.500</td>
<td>0.536</td>
<td></td>
</tr>
<tr>
<td>Unregulated Digital Asset Platform</td>
<td>0.500</td>
<td>0.464</td>
<td></td>
</tr>
<tr>
<td>NPOs</td>
<td>0.500</td>
<td>0.464</td>
<td></td>
</tr>
</tbody>
</table>
Risk assessment shows that money transfer agents and money changers are at medium risk which offenders use these channels to move funds cross-border. Additionally, the law enforcement authority found some cases of money transfer via e-money service among offender networks, but in small amounts and not often. Legal professionals are assessed as medium-level and they pose a significant risk of being criminal assistants. In southern border provinces, certain groups of lawyers specialize in terrorism offense defense. They provide not only legal assistance such as criminal defense and court litigation but also suggest legal loopholes and assist in evasion of ML/TF measure. Private businesses and crowdfunding are also assessed at medium risk.

Information from the intelligence units points out some suspicious movements of privately-owned religious schools, which would be supervised by the Office of Private Education. In addition, Terrorism supporters also operate crowdfunding but have never been arrested as it is not an apparent action.
<table>
<thead>
<tr>
<th>Channel</th>
<th>Likelihood</th>
<th>Consequence</th>
<th>Risk Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car and Used Car Dealer</td>
<td>0.375</td>
<td>0.036</td>
<td></td>
</tr>
<tr>
<td>Leasing</td>
<td>0.375</td>
<td>0.036</td>
<td></td>
</tr>
<tr>
<td>Digital Assets Business</td>
<td>0.250</td>
<td>0.072</td>
<td></td>
</tr>
<tr>
<td>Jewelry or Gold Dealer</td>
<td>0.250</td>
<td>0.036</td>
<td></td>
</tr>
<tr>
<td>Capital Market</td>
<td>0.250</td>
<td>0.036</td>
<td></td>
</tr>
<tr>
<td>Cooperative</td>
<td>0.250</td>
<td>0.036</td>
<td></td>
</tr>
<tr>
<td>Insurance Business</td>
<td>0.250</td>
<td>0.036</td>
<td></td>
</tr>
<tr>
<td>Real Estate Agent</td>
<td>0.250</td>
<td>0.036</td>
<td></td>
</tr>
<tr>
<td>Antique Shop or Secondhand Exchange</td>
<td>0.250</td>
<td>0.036</td>
<td></td>
</tr>
<tr>
<td>Personal Loan Business under Supervision</td>
<td>0.250</td>
<td>0.036</td>
<td></td>
</tr>
<tr>
<td>Pawnshop</td>
<td>0.250</td>
<td>0.036</td>
<td></td>
</tr>
<tr>
<td>Trust</td>
<td>0.250</td>
<td>0.036</td>
<td></td>
</tr>
</tbody>
</table>

Other payment methods, designated businesses, and relevant channels are assessed as low risk. Both law enforcement agencies and intelligence units have never found suspicious cases or apparent movements of TF actions via these channels.
CHAPTER 6

THE ASSESSMENT OF PROLIFERATION FINANCING

In 2020, FATF provided additional recommendations on Countering Proliferation of Weapons of Mass Destruction Financing (PF) and amended the recommendation 1 that requires countries to implement the additional scope of PF risk assessment into their risk-based approach. In accordance with the international standard, countries need to adopt the CPF measures to prevent and obstruct the development, production, logistics, technological support, and accumulation of weapons of mass destruction (WMD) as well as the intensive implementation of targeted financial sanction to disrupt PF actors.

In this report, a specific PF risk assessment is conducted. This part of the report provides an update of Thailand’s PF situation and implementation of CTF, and the assessment of both direct and indirect proliferation activities WMD. This includes relevant activities that may lead to the invention and use of WMD (nuclear, biological, and chemical weapons) as technological supports, material or equipment supplies, logistics of WMD or instruments, WMD trade and smuggling, production and stockpiling, breach or evasion of financial sanction against targeted countries, and individual, groups or entities who are related to PF activities or support the targeted countries.

Proliferation Financing in Thailand

WMD remains a serious global threat in which countries of proliferation concern are seeking to advance WMD capacities and operate more and more sophisticated evasion schemes to raise revenue for WMD development. Thailand nevertheless is not directly involved in the PF network. Since the Counter Terrorism and Proliferation of Weapons of Mass Destruction Financing Act 2016 came into effect, the enforcement authorities have not found an obvious movement of PF actors and have never accused and charged any PF offender in Thailand.

Nuclear technology has long been used in Thailand but for peaceful purposes such as gemstone authentication, agriculture, food preservation, and the use of nuclear technology in medical diagnosis and treatment. Thailand has never allowed a nuclear plant. Only one nuclear reactor facility is installed under the responsibility of the National Institute of Nuclear Technology, which is particularly for technological research. The use of nuclear materials for businesses (including uranium, plutonium, and thorium) nationwide is only very small amounts and all of them are under a strict control and subject to safeguards against misuse of nuclear technology under the International Atomic Energy Agency (IAEA). Thus, Thailand does not possess advance nuclear weapon capacity to provide technological support as well as an

53 A revised version of FATF Recommendations 1 in 2020
inadequate amount of nuclear material to share or distribute them for the manufacturing or development of nuclear weapons.

The involvement with PF in Thailand is most likely in the dual-use items which can be used for commercial and military purposes. Thai businesses have a plenty of use of chemical products, biological materials, technological equipment, and laboratory on the list of dual-use items.

Thailand has enacted the Trade Controls of Weapons of Mass Destruction Act 2019 (TCWMD). This act gave the Minister of Commerce authorities to issue a notification of and control measures over restricted goods that can be used for military end or for the production of WMD. Several safeguards against the misuse of dual-use items are applied by the law, including: exporters or importers of specific goods may have to request a licence and declare the sufficient details of consigner or consignee prior to shipping.; a self-certification of end-use or end-user may be required which a falsified declaration might lead to punishment.; the Ministry of Commerce by a suggestion from the TCWMD committee can impose appropriate control measures to specific goods or business entities and the control measure could be subject to criminal punishment, administrative penalties, and civil sanction in case of violation of control measure or damage from the misuse of restricted items.

Presently, more than 200,000 businesses in relation to dual-use items are operated in Thailand. In implementing controls over dual-use items for PF, Thailand has attempted to avoid excessive burden of control measure over business entities. Current control measures are aims at regulating only business entities or items with suspicious ground that end-use or end-user is related to proliferation of WMD, rather than implementing controls across overall businesses. In addition, the internal compliance program (ICP) is applied as an internal measure for business operators to encourage their self-control system over dual-use item. In this regard, if operators have a sufficient dual-use item self-control (such as check and report, management, and usage and end-user verification), such operators will grant a certification and they might not be subject to a license or under control measure because the risk of such operators’ involving PF is low. In performing ICP, the Department of Foreign Trade established an information system, called e-TCWMD (e-Thailand’s Control of Item in Relation to the Proliferation of Weapons of Mass Destruction). This system is a portal for business operators to register and apply for ICP certification and verify whether their goods or products fall under the dual-use items list or not. Additionally, e-TCWMD allows record keeping and tracking of actual usage and end-user if an item is misused.

In terms of supervision on and monitoring a potential breach or non-implementation of targeted financial sanction against countries of proliferation concern, Thailand has found a possibility of North Korean people’s attempt to locate nominee businesses or covert trading agents, which could be a part of an effort to evade United Nations’ financial sanctions by mean of using Thailand as their base for overseas business. In terms of the UN sanction lists on PF,
Thailand has strictly announced the financial sanction list of designated persons under the UNSCR notification (UN List) with respect to the PF. There are a total of 239 persons on the UN list. 84 persons are from the Islamic Republic of Iran and 155 persons are from the Democratic People’s Republic of Korea (DPRK). No person on the UN list has been issued from the suggestion of Thailand’s authorities because there is no obvious movement or a reliable proof of persons, groups, and entities who are involved with PF in Thailand. In addition to the UN sanction list, Thailand has also widened the scope of monitoring to cover suspicious transactions and persons out of the sanction lists. Between 2017-2021, Over 10 suspicious transactions and individuals were monitored, which mostly involved with an opening of a bank account by North Korean people or North Korean business nominee in Thailand.

**TARGETED FINANCIAL SANCTIONS**

- **155** designated persons/entities from North Korea
- **84** designated persons/entities from Iran
- **13** suspicious transaction

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**The Risk Assessment Results**

The risk assessment of PF is conducted by analyzing threats, vulnerabilities, and consequences. This section analyses the likelihood of PF activities and provides the results of PF risk assessment which is divided in two parts as 1) proliferation financing activities and 2) PF channels and methods.

**Proliferation Financing Activities**

Thailand did not find any proliferation financing activity at the ‘extreme risk’ or ‘high risk’ level. There has not been a reliable proof of PF movement in Thailand and Thailand does not possess adequate PF technological capacity of providing support to countries or entities of proliferation concern.
From the risk assessment, the most important PF risks are at the medium risk where those risks are manageable and reasonable mitigation measures could be considered to avoid the risks. The risks at this level consist of sanction evasion against designated countries, dual-use items, and breach of targeted financial sanction against individual or entities.

From the assessment of PF activities, a significant risk is attempts to open business nominee from North Korean people and the dual-use item where a high level of global trade connectivity with Thailand makes it very difficult to provide coverage monitoring. Thailand has never found an obvious movement or clear evidence of PF actors’ operation. Only reports from Intelligence Units or detection from Financial Institutions reveal some suspicious cases particularly concerning an opening of bank account and some effort to settle a business in Thailand which could be a part of financial sanction evasion scheme. Some intelligence exchanges caution that countries of proliferation concern might seek to evade export controls via covert
transits, but the issue has not been officially reported or confirmed by reliable proof. Besides those significant risks, other PF threats are assessed as low.

<table>
<thead>
<tr>
<th>Offense</th>
<th>Likelihood</th>
<th>Consequence</th>
<th>Risk Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>PF Actors Movement</td>
<td>0.250</td>
<td>0.036</td>
<td></td>
</tr>
<tr>
<td>Import / Export of WMD Instruments or Technology</td>
<td>0.125</td>
<td>0.107</td>
<td></td>
</tr>
<tr>
<td>WMD Trade and Smuggling</td>
<td>0.125</td>
<td>0.036</td>
<td></td>
</tr>
<tr>
<td>WMD Technology Support</td>
<td>0.125</td>
<td>0.036</td>
<td></td>
</tr>
</tbody>
</table>

_WMD = Weapon of Mass Destruction_

**PF Channels and Methods**

In term of channels and methods in relation to PF, only PF through foreign trade and dual-use items are assessed as ‘medium’ which requires avoidance and reasonable mitigation. Other payment methods and relevant businesses are assessed as ‘low’.

With a high level of global trade connectivity through Thailand, a large volume of shipping both for dual-use items and non-dual-use items makes it very difficult to detect suspicion, while an excessive control measure might place burden on businesses which could greatly affect the global trade competitiveness of the country. In considering those PF opportunities and limitations, PF through foreign trade and dual-use item trade are most likely to be used by the PF actor and the threats are assessed as the highest risk among other PF threats. According to the risk assessment, a reasonable risk avoidance measure without excessive burden over foreign trade business would be taken into consideration.
Thailand has regular trade with Iran and PDRK on unbanned goods and products. Thailand has never found a covert trade of militant items, dual-use items, or banned goods with Iran and PDRK. However, there might be a possibility of trade via covert transit. Inadequate controls and monitoring might substantially increase opportunities of PF through the foreign trade connectivity, which would be taken into attention.
Thailand has not yet issued a notification of dual-use items in need of license or self-certification across any sector. However, the TCWMD law is ready to authorize appropriate control measures over goods, sectors, operators, or business entities once information reported by relevant government agencies (i.e., police, intelligence units, and customs) that such goods or entities carry a significant risk. Instead of unreasonable government controls, the Department of Foreign Trade provides the Internal Compliance Program (ICP) to encourage self-controls over business operators. Considering Thailand PF threats where the likelihood is low and only a small number of items on the list can be actually used for WMD production, the existing controls are still reasonably adequate. However, the international cooperation to obtain more reliable information of PF movement and the controls over specific certain goods at risk would be taken into attention for the future controls.

Other payment methods or businesses have not been found to be relevant to financial sanction evasion scheme or an attempt to support the production or use of WMD. All financial institutions and designated businesses are very strict with the target on the UN list. Thus, the non-implementation of targeted financial sanctions is low.

<table>
<thead>
<tr>
<th>Channel</th>
<th>Likelihood</th>
<th>Consequence</th>
<th>Risk Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade-based Proliferation Financing</td>
<td>0.625</td>
<td>0.143</td>
<td></td>
</tr>
<tr>
<td>Business Related to Dual Use Item</td>
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CHAPTER 7
CONCLUSION AND RECOMMENDATIONS

The risk assessment of ML/TF/PF highlights that Thailand has implemented a series of development in the legal framework to protect the country from ML/TF/PF and a many satisfactory practices are carried out. Nevertheless, some changing circumstances contribute to more seriousness of crime and complexity i.e., economic growth in this region, new criminal actors and activities, new financial technology and products, new illicit market, armed conflict recurrence in Myanmar, and Covid-19. In addressing these problems, Thailand plans to introduce both short-term and long-term solutions to more effective prevention and suppression of ML/TF/PF.

Short-term Solutions

Recommendations on short-term solutions are aimed at addressing the weaknesses and strengthening the implementation of AML/CTF/CPF against crime at high risk or under inadequate controls in accordance with the risk levels and findings from the risk assessment.

Crime at Significant Risks

1) In response to crime at the highest risk, control measures over corruption should be enhanced in the next step. First of all, Politically Exposed Persons (PEPs) should be clearly listed and monitored. In Thailand, corruption offenses have been strongly enforced by a number of specialized authorities with a growing trend of convictions. Meanwhile, seizure and confiscation of corruption proceedings are low. Thailand should increase the practices of investigation process on corruption proceedings for seizure and confiscation and expand financial investigation and inspection into suspicious private businesses which are linked to bribery.

2) Decriminalization of soft drugs has been recently applied. This application would be a key policy in the future by displacing the growing demand for serious drugs with controllable soft drugs through the registration system. Some progressive ML measures have already been prescribed in the new Narcotics Code, including mandatory customer identification and record keeping of parcel delivery services and criminalization of nominee financial account offense, which should be applied to further to other predicate offenses. Nevertheless, the drugs epidemic is likely to be more serious due to a growing trend of drugs demands, markets and production capacities, while controls over drugs production in conflicting area are still limited. Thus, a strengthening measure against drugs network is in needs to suppress the growth of narcotics problem in this country.

3) Thailand should increase the effectiveness of control measures against crimes with a poor level of control or not enough authorities’ attention including transnational crime in foreign territory, gunman associations, compoundable offenses committed by professional criminals, ML
measures against election fraud, and further seizure investigation even though offenders have already been fined (i.e. customs offense).

4) In terms of CTF, after Thailand started the implementation of financial sanction against terrorism financier, the incident has steadily decreased. Thus, the authorities should increasingly implement financial sanctions where seizure and confiscation are sensitive. According to some groups of people at risk, the targeted sanction list would focus more on those who play an important role in Southern border TF, such as funds raisers, illicit goods purchasers, criminal network, or leading persons in relevant NPOs of TF connections.

5) In implementing CPF, Thailand does not have any PF activity at high risk, but PF monitoring and improving measures should be steadily performed. The next step CPF would increase the cooperation between supervisory agents and relevant private businesses, acknowledgement of PF danger and guidelines for proper practice in the obligation of CPF control, encouragement of Internal Compliance Program (ICP), information and intelligence sharing about suspicious items or dual-use items dealers.

Channels and Methods at Significant Risk

In response to methods and channels which are frequently misused for ML/TF/PF, some control measures should be more seriously taken to lessen weaknesses and strengthen AML/CTF/CPF implementation including enforcing nominee financial account or nominee company, cash courier control, TBML inspection, and investigation of new financial technology usage, especially cryptocurrency exchange via non-supervisory platform.

1) Supervisory authorities should pay more attention to underground businesses i.e. unauthorized money changers, underground money transfer agents, unauthorized platform of virtual assets. Since such underground businesses provide a high volume of transactions, which are frequently related to illegal activities. The solution for the next step is that competent authorities would provide interventions to incorporate these underground businesses into the authorization system. The measure can be done together with cooperation among authorized businesses and their associations by establishing self-surveillance detection against underground businesses.

2) Some relevant professions or businesses have not yet been designated as reporting entities including lawyers, accountants, some specific loan lenders (i.e., PICO finance and Nanofinance54), trust, and pawnshop. However, the supervisory and reporting requirements for such professionals and businesses would be different from normal financial institutions and DNFBPs (KYC, CDD, or transaction report), which would focus more on reporting and monitoring suspicious criminal activities, suspicious customers, and inspection of executives or shareholders’ qualification.

54 Finance lenders for people to easily get access to a small loan without guarantor.
3) Many nominee businesses are set up to exploit and hide criminal activities. Current control measures on the annual balance sheet audit and business registration solely might not be enough to obstruct nominee businesses. Thailand would apply more effective taxation scrutiny and inspection of suspicious businesses by enhancing authorities of the Department of Business development in supervision and inspection of suspicious business, creating effective information sharing network among taxation, registration, trading, and banking agents for effective data analytic, and enhancing investigation against suspicious entities not only individuals once criminal acts are detected.

Enhanced Implementation of AML/CTF/CPF

1) The risk assessment shows that specialized task forces undertook ML cases much more than local task forces, contrary to crime statistics in which most crimes are arrested and charged by local police stations. In extending crime suppression with AML measures, Thailand should expand coverage of ML specialized actions into local and border areas by means of increasing cooperative actions with local task forces, acknowledgement for front officers to realize the importance of reporting predicate offense arrests to the Anti-Money Laundering Office (AMLO), and providing extensive training courses to create ML specialists in local task forces. Even though all cases are reported to the AMLO, an average of over 100,000 cases per year might be beyond AMLO’s capacity and the central-based office might be unable to timely freeze and seize criminal assets. A solution is to expand regional and provincial AMLO units. In case that an increase of governmental manpower and office is restricted by the small government policy, at least the AMLO would assign local specialists to be AML officers to assist in enforcing AML in local task forces.

2) Thailand should enhance capacities of Information Sharing System. Nevertheless, it must be treated with caution that the information sharing for ML/TF/PF investigation is highly sensitive and confidential. To overcome information sharing restriction for effective AML, an information exchange network would be set up by assigning certain officers who are able to obtain and timely access to secure information sharing system. In addition, an information sharing committee comprising of representatives from relevant agencies both government and private entities would be settled to decide which data could be shared under which conditions, as well as to conduct an inspection of information misuse and decide how to prevent it. Confidence and safeguards for data sharing among agencies are more important for the effective AML rather than restrictions on data misuse.

3) Instead of carrying out complicated legal mutual assistance solely, international cooperation would rely more on the double territory approach. Basically, a transnational crime

55 According to the regulation of the Prime Minister’s Office on Coordination under the Anti-Money Laundering Act 1999, every law enforcement agency at all levels is required to report the predicate offense arrest to the Anti-Money Laundering Office to further ML investigation. The ML statistics show that most cases are still underreported, especially from the local task forces.
happens in more than one territory and is committed by different groups of people in another territory. An international investigation tactic is to provide evidence to foreign law enforcement agencies with legal authorities to prosecute foreign perpetrators in their territory rather than making a burdensome mutual legal assistance or extradition request alone. For example, once a sexual exploitation case is charged in Thailand, an investigation of recruitment agent in neighboring countries should be mutually performed in their own territory.

4) In TF risk assessment, the TF investigation through the financial transaction is truly limited because the funds are mainly moved through cash couriers, banking transactions in small amounts, or underground entities. In doing terrorism sanctions, authorities should rely more on other investigation approaches such as investigation on persons’ connectivity or information from arrested members or resigned members. Such an investigation could also lead to TF sanctions as alternative tools rather than solely relying on seizure and financial supervision solely. In enforcing sensitive entities such as religious organizations or NPOs as well, seizure and confiscation might not be very cautious. The sanction against the leading person in an organization might be more effective and applicable.

5) The authority should increase the implementation of investigation and enforcement against account nominees, cash couriers, and criminal network who use cryptocurrencies and new FinTech.

Long-term Solutions

Recommendations on long-term solutions concern changes or amendments in the legal framework, government structure, or institution in response to high-risk problems as follows:

Expand Scope of Predicate Offenses

The anti-money laundering law should prescribe additional predicate offenses in accordance with risk and impacts. These include serious tax crime, loan shark, child pornography, and illegal surrogacy.

Criminalize the Nominee Financial Account

Thailand would criminalize the offense of owning a bank account or financial account in connection with criminal activity, contracting to open, or consenting to the use of documents for opening a bank or financial account, as prescribed in the Narcotics Code to cover all types of money laundering offenses. Once the offense is criminalized, the authorities would have the power to scrutinize and temporarily freeze suspicious accounts without delay for a proof of predicate offense relation. In addition, this regulation might add another ML measure by allowing plea bargaining for recovering evidence by account owners as well as implementing administrative measures i.e., the order for account owners to clarify the misuse suspicion, banning the account owner from opening financial account for a certain period of time, and other supervisory requirement to the financial institutions for crime prevention.
‘All Crime Basis’ for AML Action

The predicate offences in Thailand are defined on legislative definite listing of predicate offences, which authorities cannot commence freezing, seizure, and confiscation if a predicate offense is not yet identified. In this respect, the authorities find difficulties in investigating the connection between suspicious accounts and the predicate offences under the Anti-Money Laundering Act; therefore, criminals can transfer or convert assets during the authorities’ investigation. In this regard, Thailand should define predicate offences on an ‘all crime basis’ as the authorities can develop the freezing and seizure where there is a reasonable ground that a financial account is related to money laundering. More effectively, competent authorities could promptly freeze the assets involved in money laundering temporarily for a period without relying upon predicate offense identification. Nevertheless, such measures should apply in specific instances and limited conditions with appropriate clauses of purpose and must be forthwith reported to the court concerning the proper practice and misuse of powers.

The Legislation on Transparency of Beneficial Ownership

In response to nominee businesses for ML/TF/PF, Thailand is considering enacting the law on transparency of beneficial ownership. The enhanced legislation ensures that companies and other legal entities or arrangements, such as trusts (even no legal status by civil law), NPOs, Cooperatives, and front legal persons, disclose important details to the public and authorities on the real ownership and who is accountable for the companies or entities. Falsification of the information might be punished by criminal penalty or administrative sanction such as prohibiting persons who used to involve in nominee arrangements from conducting corporate activities to prevent repeated crimes.

The legislation on Non-Profit Organisations

Thailand is attempting to promote transparency of NPO’s operation by proposing the Draft Bill on the Operations of Non-Profit Organisations. The draft bill contains the provisions for every NPOs to register with the government and requirements for NPOs to disclose their sources and amounts of funds, activities, and materials used in their implementation. Furthermore, the legislative should grant the supervisory authority administrative power to cease NPOs suspicious or wrongdoing activities. In this respect, such legislation can prevent the criminal from committing any ML/TF/PF crimes through NPOs and enhance transparency and effective monitoring.

Legalize Gambling Businesses

Presently, Thailand has an idea to grant permission for legal casinos and other bets in entertainment complexes. The proposal is intended to allow legal casino establishments with the legislation to regulate those gambling businesses. Regarding the control measures, the government aims to designate such casinos and other gambling businesses as reporting entities; therefore, the authorities can supervise their transactions in compliance with the AML/CTF measures.