

Executives Summary of preliminary assess risk of legal persons

The Anti-Money Laundering Office (AMLO) as well as relevant private and public agencies realize that legal persons operating in Thailand have important roles in Thai economy. However, the sustainable growth of a country's economy needs strong protection system. Thus there is also a need for AMLO and relevant agencies to assess ML/FT risk relate to legal persons operating in Thailand. Besides, some legal persons under the Financial Action Task Force Recommendation who are operating in Thailand but are currently not reporting entities under Section 13 (financial institution) and Section 16 (financial institutions and designated non-financial businesses and professions) and do not have a dedicated supervisory agency. Thailand Mutual Evaluation Report also pointed out that there is no in-depth risk assessment for these legal persons.

Thus, AMLO conducted a project to preliminary assess risk of legal persons in fiscal year 2019. The objectives of the project are to collect relevant information on all legal persons operating in Thailand, including, case studies on the abuse of legal persons for money laundering and financing of terrorism as well as the ones established as shell companies. This information was summarized into types/activities and categories of legal persons that need to be conducted in-depth risk assessment in fiscal year 2020.

The preliminary legal persons risk assessment project consisted of 2 Seminars. The participants of both seminars are AMLO executives and staffs as well as representatives from other relevant agencies such as the registrar, law enforcement agencies, tax agencies and other relevant agencies, project staffs. The details are as follows;

- (1) The 1st seminar, conducted on 29 March 2019 had 82 participants;
- (2) The 2nd seminar conducted on 9 July 2019 had 210 participants.

In both workshops, not only case studies were shared, problems, obstacles and recommendation were also identified. In the 1st seminar, the focus was on the role of Department of Business Development to enhance the efficiency and effectiveness of AML/CFT regime. However, the shared case studies lacked important details and some were related to legal persons who are already reporting entities under the Anti-Money Laundering Act, 1999. Thus, the chief of project had organized a preparation meeting for the 2nd seminar among AMLO officials from Supervision and Examination Division, Legal Affairs Division, Financial Intelligence Division and Litigation Division 1 – 4, on 1 May 2019, to identify a clear framework for information collection. The working group had created information collection form which was then used for the collection of information from within AMLO and other agencies with the total of 54 divisions/agencies. The classification of the Department of Business

Development, Ministry of Commerce, was used for this information collection. The information was processed and summarized as the draft report preliminary legal persons risk assessment which was used for a hearing in the 2nd seminar.

The assessment criteria and the result are as follows;

1. Money laundering: the criteria are value of proceeds legal persons received from the commission of offenses and number of cases involved.

From the collected information, the rank of business types involving with money laundering by value of proceeds in ascending order are as follows;

- (1) Mining and quarry (mining, non-metallic mining, and other quarry)
- (2) Construction (building construction and civil engineering)
- (3) Supportive Services and management (travel agents, tour businesses and reservation services and other relevant activities)
- (4) Agriculture, forestry, and fishery (planting and farming, hunting and other relevant activities)
- (5) Wholesale and retail, motorcycle and car fixing (retail except car and motorcycle: wholesale)

2. Financing of terrorism: the criteria are number of cases occurred.

The rank of business types are as follows;

(1) Education (education), 2 cases, relating to private school which was not established for the purpose of the poor and not charging education fee, organizing in a charity purpose, special education, and education support, for example, private religious school in the South.

(2) Manufacturing (production of coke and products from petroleum refining), 1 case, the example case is illegal oil smuggling.

Moreover, the additional information must be collected, such as, involvement with the case, frequency of offense commission, nature of business conduct (conducting actual business activities/shell company/others) to better conclude legal persons' risk.

AMLO will further submit the result of this preliminary risk assessment of legal persons of fiscal year 2019 to advisor, to be used for in-depth legal persons risk assessment which will cover money laundering and financing of terrorism and proliferation of weapons of mass destruction risks. The report will also be disseminated for the purposes of prescribing policies, measures, and guidelines to enhance the efficiency of supervisory activities for legal persons operating in Thailand.