



4th Follow-Up Report

Mutual Evaluation of Bangladesh

November 2020



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BANGLADESH: 4TH ENHANCED FOLLOW-UP REPORT 2020

I. INTRODUCTION

1. The mutual evaluation report (MER) of Bangladesh was adopted in September 2016. This FUR analyses the progress of Bangladesh in addressing the technical compliance deficiencies identified in its MER. Technical compliance re-ratings are given where sufficient progress has been demonstrated.

2. This report does not analyse any progress Bangladesh has made to improve its effectiveness. Progress on improving effectiveness will be analysed as part of a later follow-up assessment and, if found to be sufficient, may result in re-ratings of Immediate Outcomes at that time.

3. The assessment of Bangladesh's request for technical compliance re-ratings and the preparation of this report was undertaken by the following experts:

- *Kirsty Pleace, Department of Internal Affairs, New Zealand*
- *Syahril Ramadhan, Pusat Pelaporan dan Analisis Transaksi Keuangan (PPATK), Indonesia*

4. Section III of this report summarises the progress made to improve technical compliance. Section IV contains the conclusion and a table of Bangladesh's current technical compliance ratings.

II. FINDINGS OF THE MUTUAL EVALUATION REPORT

5. Bangladesh's original MER ratings and updated ratings based on earlier FURs are as follows¹:

IO.1	IO.2	IO.3	IO.4	IO.5	IO.6	IO.7	IO.8	IO.9	IO.10	IO.11
Moderate	Substantial	Moderate	Low	Low	Moderate	Low	Low	Substantial	Moderate	Substantial

R.1	R.2	R.3	R.4	R.5	R.6	R.7	R.8	R.9	R.10
PC	LC	LC	LC	LC	C	LC	LC	(PC) LC	LC
R.11	R.12	R.13	R.14	R.15	R.16	R.17	R.18	R.19	R.20
C	LC	LC	LC	C	(PC) C	LC	(PC) C	(PC) LC	C
R.21	R.22	R.23	R.24	R.25	R.26	R.27	R.28	R.29	R.30
C	LC	LC	PC	PC	(PC) LC	LC	PC	LC	C
R.31	R.32	R.33	R.34	R.35	R.36	R.37	R.38	R.39	R.40
LC	LC	PC	(PC) LC	PC	LC	LC	LC	LC	LC

6. Given these results, Bangladesh was placed on enhanced follow-up.

III. OVERVIEW OF PROGRESS TO IMPROVE TECHNICAL COMPLIANCE

7. In keeping with the APG Mutual Evaluation Procedures, this FUR considers progress made up until 1 June 2020. This section summarises the progress made by Bangladesh to improve its technical compliance by:

- addressing the technical compliance deficiencies identified in the MER, and

¹ Original MER ratings which have changed since the MER are in brackets on the left and current ratings are on the right of the cell.

- b) implementing new requirements where the FATF Recommendations have changed since the MER was adopted.

3.1. Progress to address technical compliance deficiencies identified in the MER

8. Bangladesh requested re-ratings of Recommendations 28 and 33 (which were rated PC). The APG welcomes the steps that Bangladesh has taken to improve its technical compliance with R.28 and R.33. Bangladesh has been re-rated on Recommendations 28 and 33. Bangladesh has raised a major disagreement with the analysis and rating for Recommendation 15. Consistent with the APG Mutual Evaluation Procedures, consideration of Recommendation 15 is not included in this report as the related analysis and decision on the findings has been referred for in-session discussion at the next APG Plenary meeting.

Recommendation 28 (Originally rated PC)

9. The 2016 MER rated Bangladesh PC on R.28. The MER identified that there were limited steps to subject DNFBPs to systems for monitoring compliance with AML/CFT obligations and insufficient fit and proper requirements on DNFBPs with existing fit and proper checks not considering any adverse findings by a supervisory or regulatory authority. In addition, the frequency and intensity of AML/CFT supervision of DNFBPs did not yet reflect the ML/TF risk profile, although BFIU had begun considering the ML/TF risk profile of DNFBPs.

10. The 2016 MER rated criterion 28.1 as N/A and criterion 28.2 as met.

11. *Criterion 28.3 is met.* Bangladesh's 2018 risk-based supervision manual outlines the frequency of onsite inspections of DNFBPs based on risk level. DNFBPs considered high risk are placed on an annual onsite inspection cycle, medium risk DNFBPs are supervised onsite every 3 years, and low risk once every 5 years. 'Surprise inspections' are also undertaken as required. Surprise inspections may be triggered by regulatory observations, complaints, STRs, Media Reports etc. No surprise inspection has yet been conducted for DNFBPs due to the absence of any triggers in this sector at this time.

12. The DNFBPs risk-based supervision manual appears to suggest that Bangladesh combine off-site supervision with preliminary activities for onsite supervision. Bangladesh has not advised of any remedial action or sanctions to reporting parties as a result of off-site supervision, without conducting an onsite visit. In accordance with the risk-based supervision manual, the number of DNFBPs to undergo on-site and off-site supervision each year depends on the market and ML/TF-risk related information collected and the risk rating index prepared with this market information. Section 4.4.2 of Bangladesh's supervisory manual lists the factors to be taken into consideration when assigning risk levels to DNFBPs.

13. *Criterion 28.4 is mostly met.* Money Laundering Prevention Rule 32 provides that reporting organisations (ROs) are to implement mechanisms to ensure that no criminals or their associates can become the owners, directors, managers or beneficial owners of an RO or an entity controlled by the RO. In order to do this, ROs are to obtain data/information/assistance from BFIU, other regulatory authorities or law enforcement agencies.

14. Self-Regulating Bodies (SRBs) are required to provide full assistance to BFIU and to conduct ML/TF risk assessments, with the help of BFIU, on individual ROs or their products and services from time to time. SRBs are also to inform BFIU, if notified of any non-compliance or any suspicious transactions/activities in order to prevent ML/TF (Money Laundering Prevention Rules (MLPR) Rule 33).

15. In support of the MLP rules, Bangladesh has provided the registration and licensing process SOP for real estate, DPMS, accountants and lawyers. These processes require that criminal records for all directors and identified beneficial owners be obtained from Bangladesh police, and that dependable and authentic documents are acquired from the relevant authorities.

16. Registration/licensing processes for DPMS, lawyers and accountants require any adverse open source news to be considered. However, the fit and proper requirements in the MLPR 2019 and in the registration/licensing process SOP still do not explicitly extend to considering any adverse findings by a supervisory or regulatory authority.

17. *Criterion 28.5 is met.* Bangladesh's DNFBP NRA and Risk Supervision Manual outlines how often DNFBPs are to be subjected to supervision based on their risk profile. As noted in 28.3 (above), the number of institutions to undergo on-site and off-site supervision depends on the market information collected and risk rating index prepared with market information collected by a checklist prepared in line with 4.4.2 of the Risk-Based Supervision Manual.

18. *Weighting and conclusion:* Bangladesh has implemented the 2018 risk-based supervision manual and conducted onsite or offsite monitoring on DNFBPs, depending on their risk rating. The MLPR 2019, and the registration/licensing procedures for SRB include requirements that criminal records be obtained from Bangladesh Police for all Directors and identified beneficial owners. There is still no explicit requirement to consider adverse findings by a supervisory or regulatory body. **Recommendation 28 is re-rated to largely compliant.**

Recommendation 33 (Originally rated PC)

19. In the 2016 MER, Bangladesh was rated PC for R.33. The MER identified gaps in statistics relating to the conduct of investigations, including use and results of powers of investigation, gaps in the amounts of seizures/confiscations, and the number of cases in which seizures and confiscation occurred and statistics are not well maintained for informal cooperation.

20. *Criterion 33.1 is met.* Bangladesh has provided statistics on investigations conducted by each LEA, number of cases on each type of ML, number of terrorist financing investigations and BSEC investigations.

21. Bangladesh has also provided:

- Statistics on ML cases relating to high risk predicate offences in Bangladesh,
- Data on investigations, prosecution, convictions on different types of predicate offences in Bangladesh,
- Statistics on each type of ML including stand-alone ML, and break down on investigations, prosecution, and convictions and penalties applied for ML convictions; and
- Data on prosecutions and convictions on terrorist offences.

22. In addition, Bangladesh has provided statistics for confiscation in unexplained wealth matters and details on predicate offences involved in cases where seizing/freezing and confiscation were pursued, which were both gaps identified in the 2016 MER. Bangladesh has provided statistics on informal cooperation and creation and regulation of legal persons and arrangements and for the registration of NPOs.

23. *Weighting and conclusion:* Bangladesh has provided comprehensive statistics relating to the conduct of investigations and on prosecutions and convictions on ML, related predicate offences and TF. Bangladesh has also provided figures for confiscations, seizures and actions taken in relation to

unexplained wealth. Bangladesh has provided well-maintained statistics for informal cooperation for the period 2016 to 2019. **Recommendation 33 is re-rated to compliant.**

3.2. Progress on Recommendations which have changed since adoption of the MER

Recommendation 15 (Originally rated C)

24. Since the adoption of Bangladesh’s MER, Recommendation 15 has been amended. The FATF methodology under Recommendation 15 has been amended to include requirements related to virtual assets (VA) and virtual asset service providers (VASPs).

25. Bangladesh has raised a major disagreement with the analysis and rating for Recommendation 15. Consistent with the APG Mutual Evaluation Procedures, consideration of Recommendation 15 is not included in this report as the related analysis and decision on the findings has been referred for in-session discussion at the next APG Plenary meeting.

IV. CONCLUSION

26. Bangladesh has been re-rated to largely compliant on Recommendation 28 and compliant on Recommendation 33.

27. Overall, in light of the progress made by Bangladesh since its MER was adopted, the review team assesses Bangladesh’s technical compliance with the FATF Recommendations is as follows as of the reporting date (June 2020):

R.1	R.2	R.3	R.4	R.5	R.6	R.7	R.8	R.9	R.10
PC	LC	LC	LC	LC	C	LC	LC	LC	LC
R.11	R.12	R.13	R.14	R.15	R.16	R.17	R.18	R.19	R.20
C	LC	LC	LC	C	C	LC	C	LC	C
R.21	R.22	R.23	R.24	R.25	R.26	R.27	R.28	R.29	R.30
C	LC	LC	PC	PC	LC	LC	(PC) LC	LC	C
R.31	R.32	R.33	R.34	R.35	R.36	R.37	R.38	R.39	R.40
LC	LC	(PC) C	LC	PC	LC	LC	LC	LC	LC

28. Bangladesh has 36 Recommendations rated C/LC. The Bangladesh FUR was adopted out-of-session by the APG membership in November 2020. In keeping with APG third round procedures, Bangladesh will remain in enhanced follow-up, and will continue to report back to the APG on progress to strengthen its implementation of AML/CFT measures.