



Pacific AML/CFT Webinar Series

7 – 11 December 2020

5 days | 5 topics | 35+ experts

7 Dec

Setting the Stage

- Global view
- Pacific region
- Policy priorities
- Industry/Commercial view

8 Dec

Public-Private Partnerships

- Successes
- Challenges
- Realities on the ground
- Emerging best practices

9 Dec

Tools in Combatting AML/CFT

- SARs/STRs/SMRs
- Data registers & analytics
- Emerging technology
- Cybersecurity

10 Dec

AML/CFT Policy and Advocacy: Complexities & Opportunities

- Major advocacy bodies and channels
- Current priorities
- Engaging effectively
- Issues for the Pacific region

11 Dec

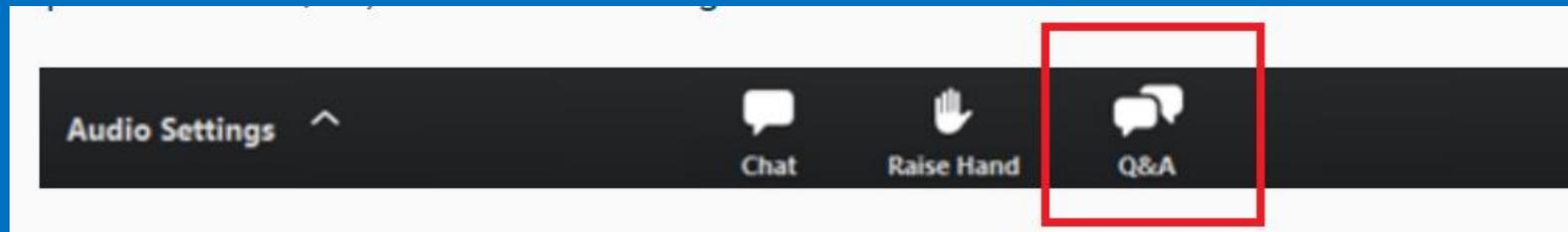
Combatting AML/CFT: Forward View

- Techniques in money laundering and terrorism financing
- Emerging regulatory and investigative techniques
- Policy gaps and evolution
- Success metrics



Gentle Reminders

- ✓ Please put your mic on mute
- ✓ Please be advised that the session will be recorded
- ✓ Kindly input your questions using the Q & A box





Welcome and Introduction

Lisa Vasic

**Managing Director, Transaction
Banking
ANZ**

DAY 1 - Pacific AML/CFT Webinar Series: *Setting the Stage*

The Economists: Fireside Chat



Moderated by:

Tessa Price
CEO Pacific, ANZ



Daniel Been
Head of FX Research
ANZ



Abdul Abiad
Director, Macroeconomic
Research Division
Asian Development Bank

DAY 1 - Pacific AML/CFT Webinar Series: *Setting the Stage*

November 2020

Global waves in the pacific

Daniel Been
ANZ Research

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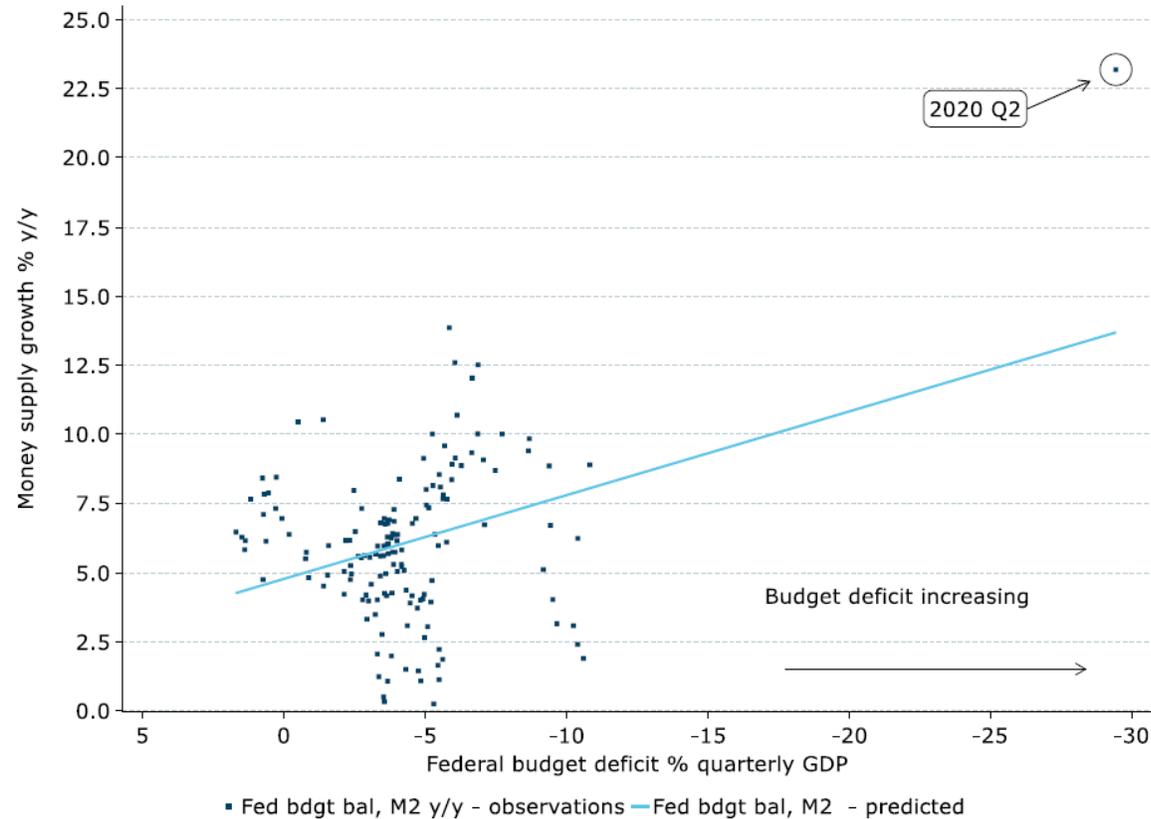
Policy in the US,
and elsewhere
responded in an
unprecedented way



Policy in the US,
and elsewhere,
looks far too easy
for a crisis which is
in large part
temporary

An extraordinary response to an extraordinary year

Policy in the US

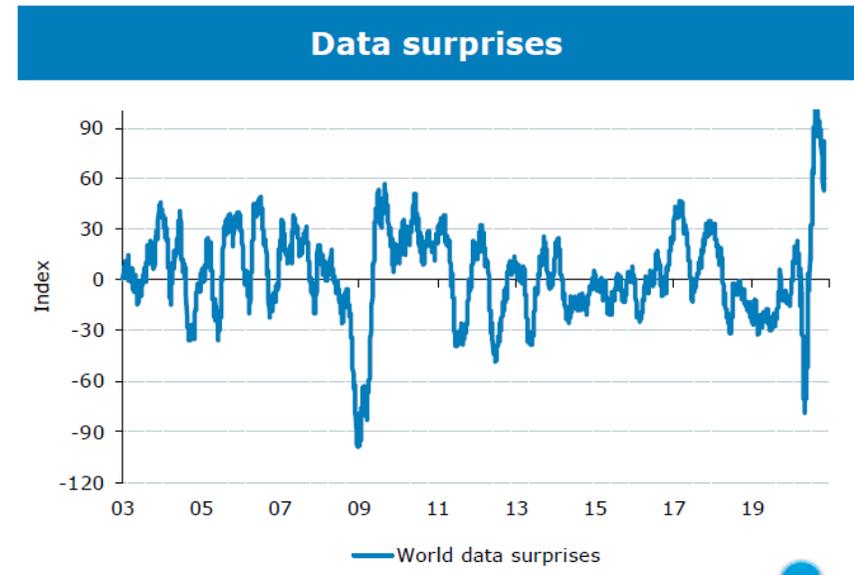
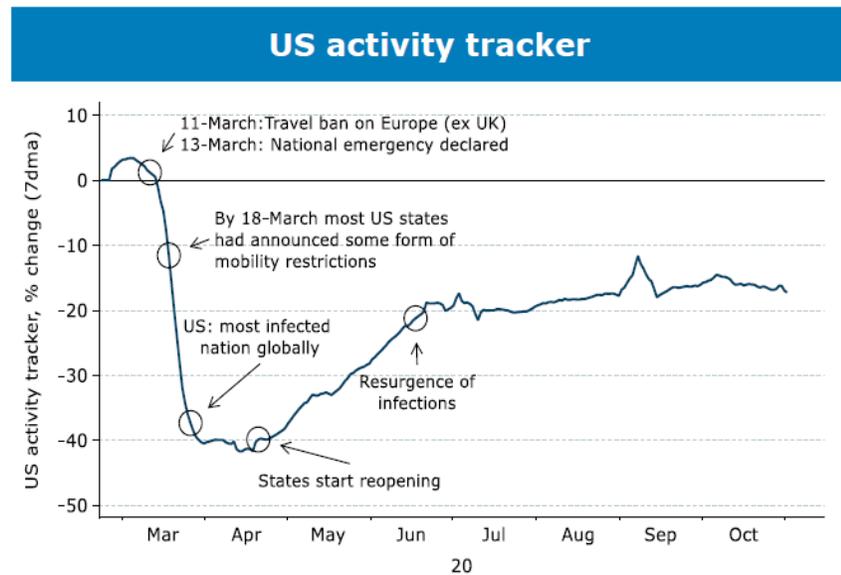
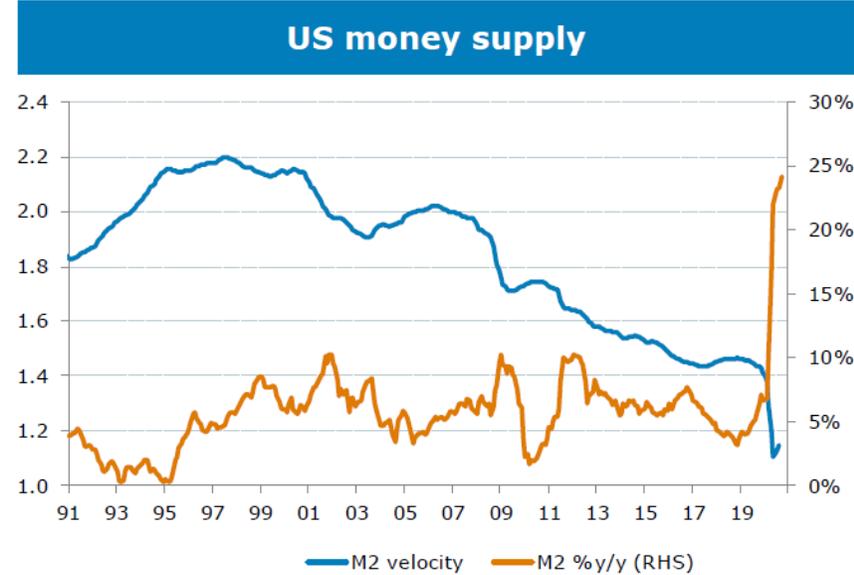


Source: Fed, BEA, Bloomberg, Macrobond, ANZ Research

Source: Bloomberg, ANZ Research

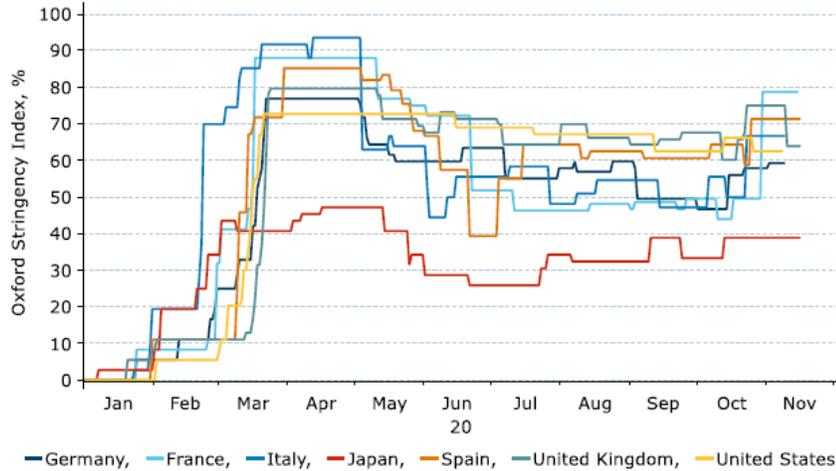
2020 has been an economic and health crisis; not a financial crisis

- The policy response has prevented a collapse in money supply; in fact money supply globally rose very sharply.
- Asia has handled the pandemic well.
- Second and third waves in many economies are different:
 - Better testing and lower hospitalisations and deaths
 - More judicious use of shutdowns
 - Economic policy mechanisms already established.

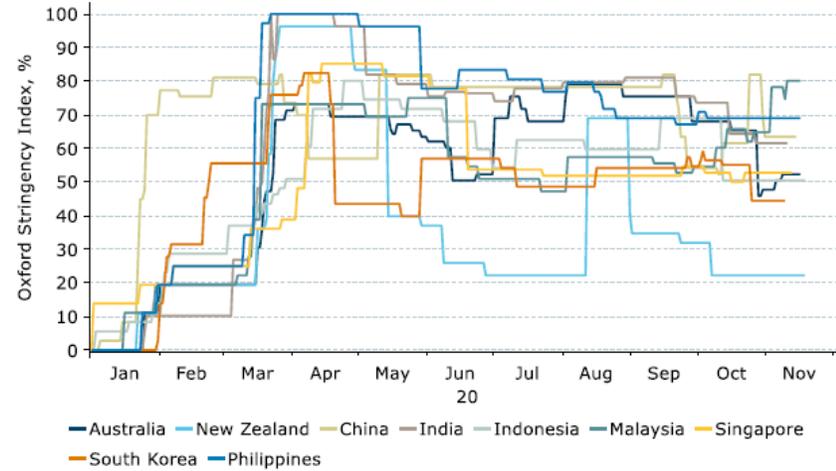


In the near term this more positive story may get tested – it will be a bleak winter

Oxford Stringency Index: US & EU facing increasing restrictions

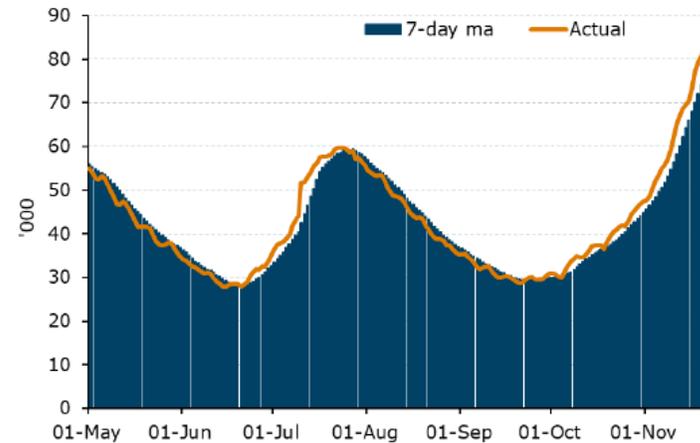
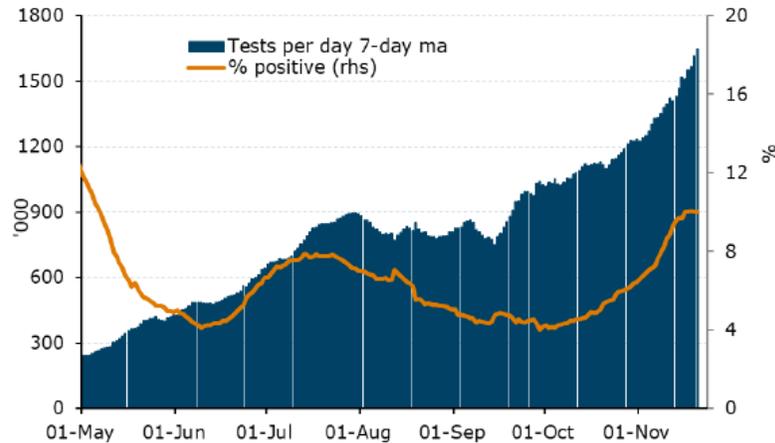


Source: University of Oxford, Macrobond, ANZ Research



Source: University of Oxford, Macrobond, ANZ Research

COVID: US hospitalisation rates rising



G-Zero and the economy

G-Zero reflects not just a realignment of economic size among the large economies, but also domestic developments within many countries:

- slower rates of economic growth,
- inequalities in the distribution of wealth and income,
- social media -- 6 degrees of separation has become 3.57
- And now less physical interaction; which tends to weaken trust between differing cultures

The social contract has even been further eroded through this COVID-19 crisis.

- The losses from COVID-19 have fallen disproportionately on the [young](#), [women](#), [ethnic minorities](#) and those living in areas with [higher air pollution](#).
- In fact pandemics have a [tendency to exacerbate](#) pre-existing inequalities.

G-Zero is not just reflected in relations between the big powers, but in how other countries see their future.

- In 2019, Germans were twice as likely to prefer a close partnership with the US (50%) as China (24%).
- That gap has now evaporated (US 37%, China 36%).
- More importantly, asked for their most important foreign policy partner, Germans are far more likely to pick France (44%) than the US (10%) or China (6%).

With governments more involved in the economy, and economic policy offerings from different parts of politics increasingly divergent, politics matters more, economically.

- Political turnover post-crisis is likely to be elevated, at least in advanced economies.
- [“Only a minority of the most skilled political leaders are likely to survive this crisis”](#).

Climate change diplomacy can accelerate green agenda

“Joe Biden knows how to stand with America’s allies, stand up to adversaries, and level with any world leader about what must be done. He will not only recommit the United States to the Paris Agreement on climate change – he will go much further than that.

He will lead an effort to get every major country to ramp up the ambition of their domestic climate targets. He will make sure those commitments are transparent and enforceable, and stop countries from cheating by using America’s economic leverage and power of example.

He will fully integrate climate change into our foreign policy and national security strategies, as well as our approach to trade.”

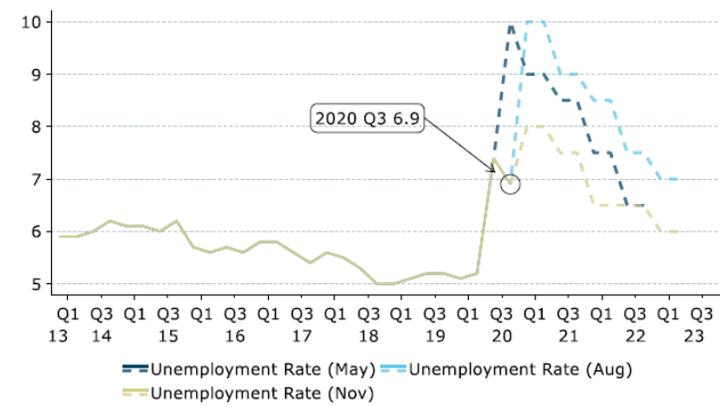
"With Biden's election, China, the USA , EU, Japan, South Korea - two thirds of the world economy and over 50% of global greenhouse gas emissions - would have [commitments toward reaching] net zero greenhouse gas emissions by mid-century," says Bill Hare, who's part of the [Climate Action Tracker](#), which monitors the world's carbon cutting plans.

"This could be an historic tipping point."

For the first time ever, this puts the Paris Agreement's 1.5C limit within striking distance, he says.

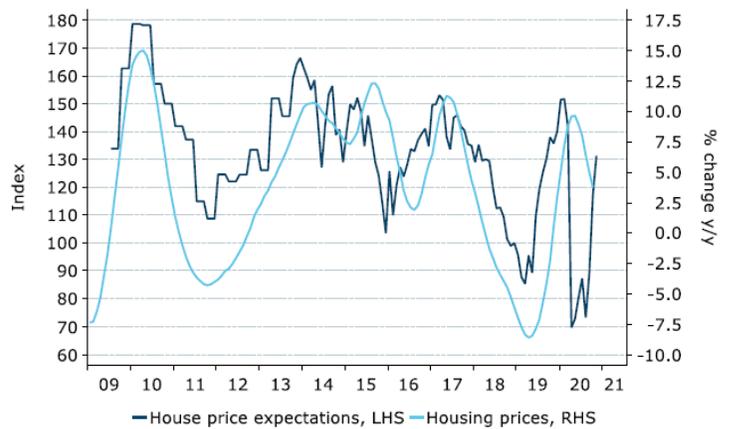
In Australian and New Zealand attention may shift to focus more on upside risks

Unemployment undershooting baseline forecasts

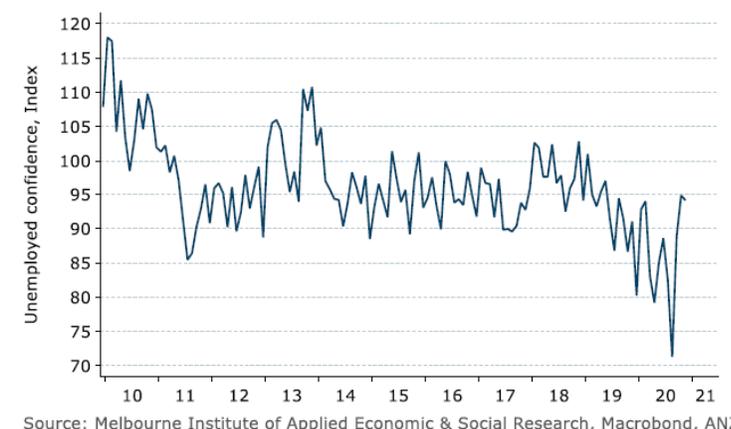


Source: , Bloomberg, Macrobond, ANZ Research

House price expectations are rising



Consumer Confidence

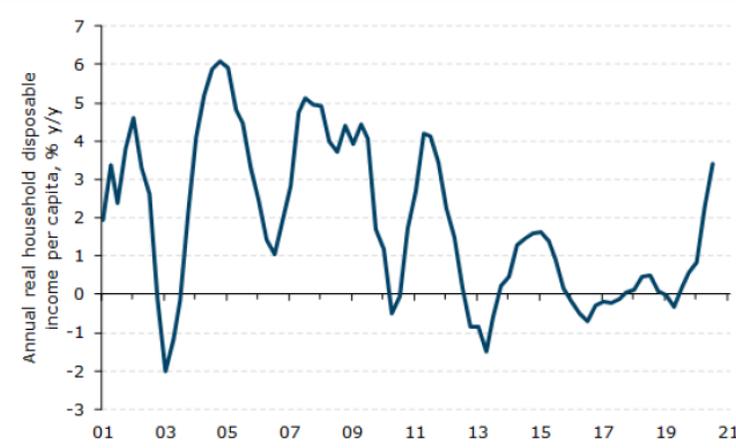


Source: Melbourne Institute of Applied Economic & Social Research, Macrobond, ANZ

In Australian and New Zealand attention may shift to focus more on upside risks

- While production will return slowly, income has been resilient
- Saving rates are high, which will mean recovery could be brisk
- Tourism should return strongly, safety and security will become key to overseas travel.

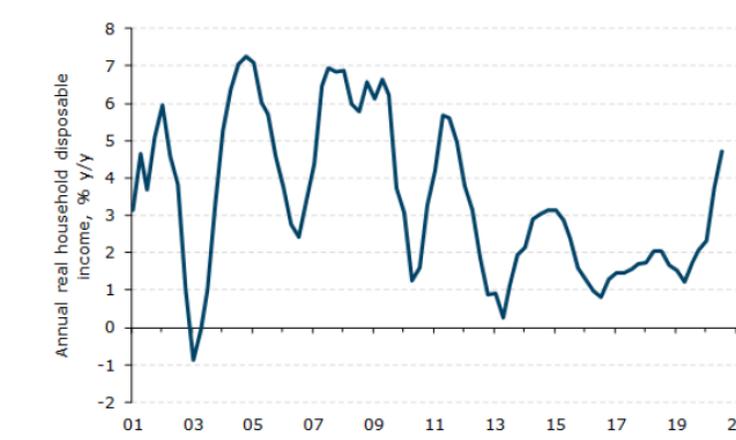
Income per capital is strong



Disposable income at a record



Disposable income has bridged the gap



Thank you



Forecasts: GDP

| | 1998-2007 average | 2008-2016 average | 2017 | 2018 | 2019 | 2020f | 2021f | 2022f |
|----------------|----------------------|----------------------|------|------|------|--------------|------------|------------|
| United States | 3.1 | 1.4 | 2.4 | 2.9 | 2.3 | -4.5 | 2.5 | 2.5 |
| Euro area | 2.4 | 0.4 | 2.5 | 1.9 | 1.2 | -7.9 | 5.5 | 3.5 |
| United Kingdom | 3.0 | 1.1 | 1.9 | 1.3 | 1.9 | -10.2 | 6.6 | 2.8 |
| Japan | 1.0 | 0.4 | 2.2 | 0.3 | 0.9 | -6.0 | 2.0 | 1.5 |
| Mainland China | 10.0 | 8.5 | 6.9 | 6.7 | 6.1 | 2.1 | 8.8 | 5.5 |
| India* | 7.2 | 7.1 | 7.0 | 6.1 | 4.2 | -10.1 | 7.2 | 5.5 |
| South Korea | 5.2 | 3.2 | 3.2 | 2.9 | 2.0 | -1.4 | 3.0 | 2.7 |
| Taiwan | 5.1 | 2.9 | 3.3 | 2.7 | 2.7 | 2.0 | 3.6 | 2.7 |
| Indonesia | 2.8 | 5.5 | 5.1 | 5.2 | 5.0 | -2.0 | 4.3 | 5.0 |
| Thailand | 3.9 | 3.0 | 4.1 | 4.2 | 2.4 | -7.8 | 4.0 | 4.5 |
| Hong Kong | 3.9 | 2.6 | 3.8 | 2.8 | -1.2 | -6.8 | 2.2 | 3.4 |
| Malaysia | 4.3 | 4.6 | 5.8 | 4.8 | 4.3 | -7.4 | 6.3 | 4.9 |
| Singapore | 5.5 | 4.7 | 4.3 | 3.4 | 0.7 | -5.9 | 4.6 | 2.4 |
| Philippines | 4.1 | 5.6 | 6.9 | 6.3 | 6.0 | -9.1 | 8.4 | 5.3 |
| Vietnam | 6.8 | 5.9 | 6.8 | 7.1 | 7.0 | 2.8 | 7.7 | 7.0 |
| Emerging Asia | 7.5 | 6.9 | 6.3 | 6.0 | 5.1 | -0.6 | 7.5 | 5.1 |
| Australia | 3.6 | 2.6 | 2.7 | 2.7 | 1.8 | -4.3 | 1.6 | 4.0 |
| New Zealand** | 3.5 | 2.2 | 3.2 | 3.2 | 2.3 | -4.8 | 3.1 | 4.0 |
| World | 4.2 | 3.4 | 3.9 | 3.6 | 2.9 | -3.6 | 4.9 | 3.6 |

*Fiscal years, eg 2019 is year-ending March 2020. New GDP base year is 2011-12.

**NZ GDP numbers are production based GDP.

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[4 August 2020]

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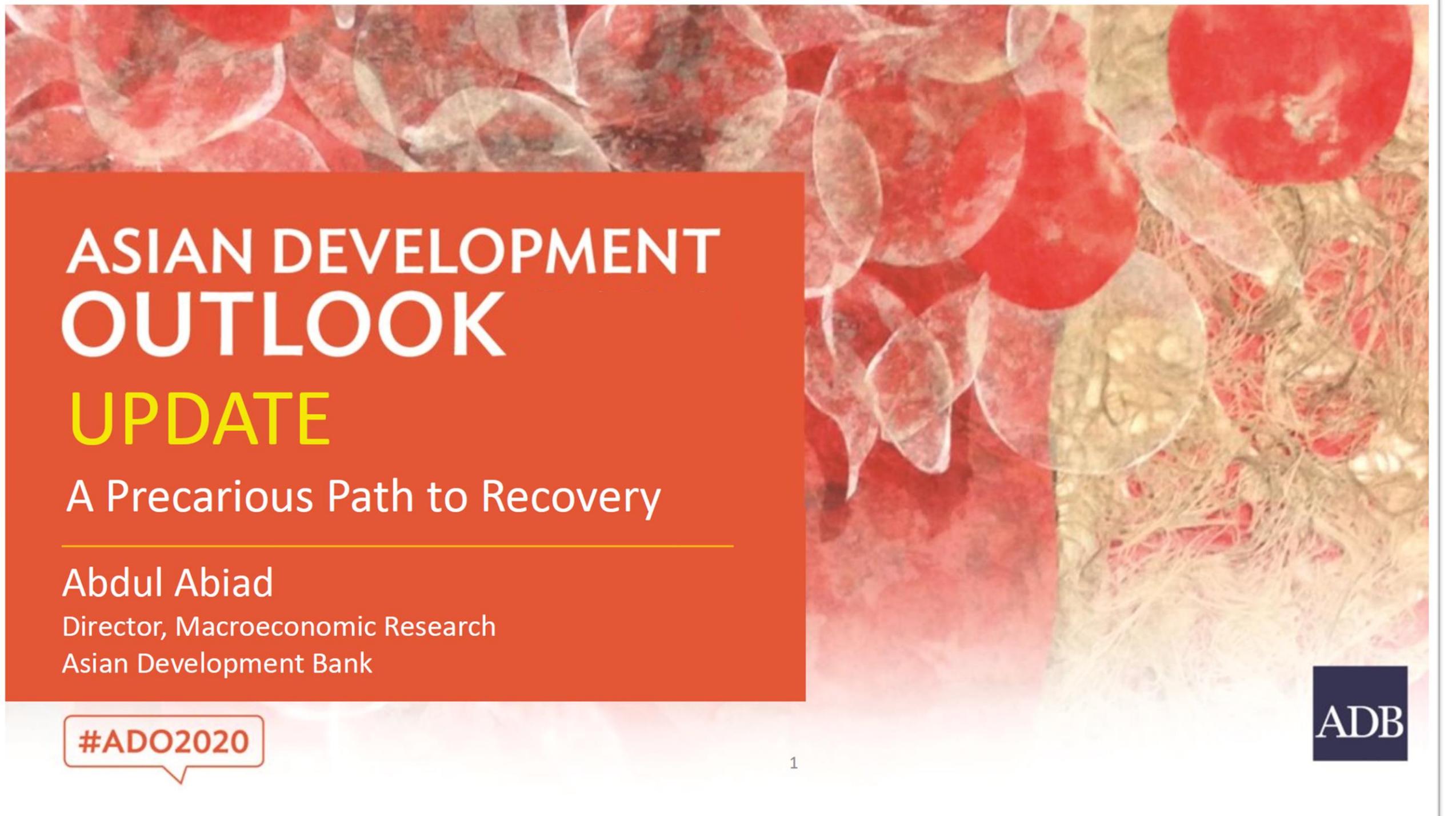
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ASIAN DEVELOPMENT OUTLOOK

UPDATE

A Precarious Path to Recovery

Abdul Abiad

Director, Macroeconomic Research
Asian Development Bank

#ADO2020

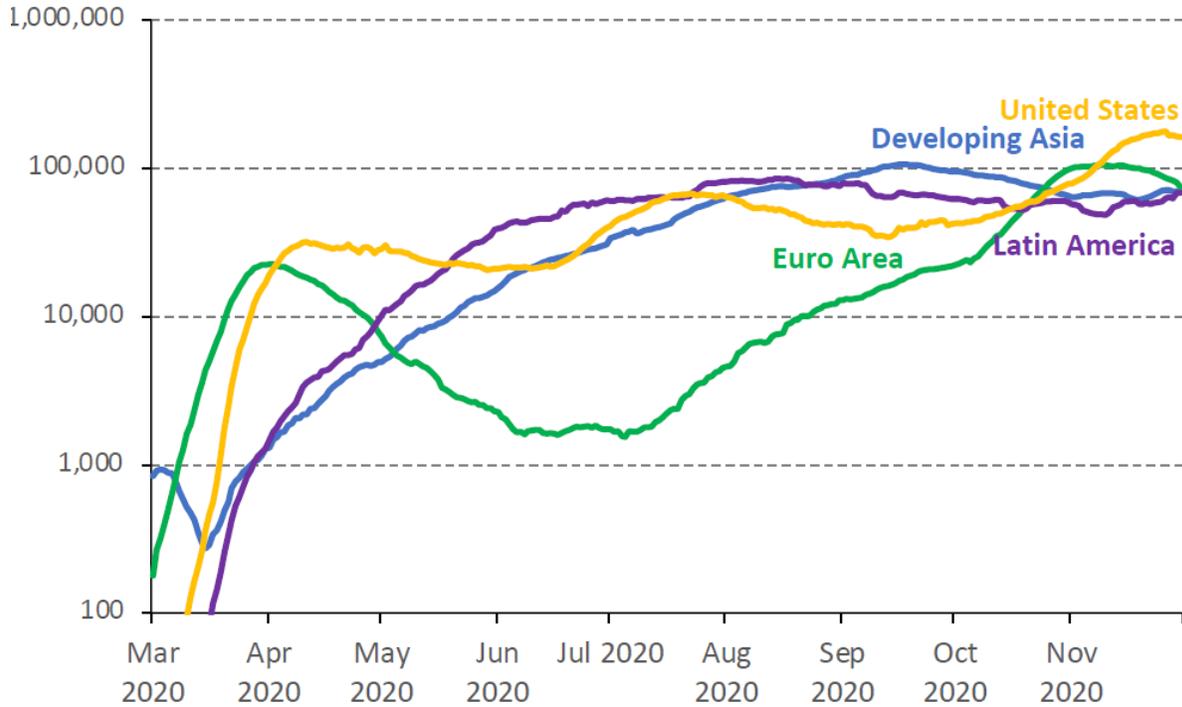
Key messages

- Developing Asia will contract this year by 0.7%, its first contraction in six decades. Growth will rebound to 6.8% in 2021, but this implies only a partial recovery.
- The downturn is broad-based—three-fourths of the region's economies are expected to contract this year. But prospects diverge within the region:
 - East Asia will grow by 1.3% in 2020, driven by 1.8% expansion in the PRC
 - South Asia will contract by 6.8% this year, and Southeast Asia by 3.8%, as their largest economies grapple with COVID-19 outbreaks.
 - Central Asia and Pacific will contract by 2.1% and 6.1%, respectively
- Risks to the outlook include the possibility of a prolonged pandemic; geopolitical tensions; and unclear long-term socio-economic impacts

COVID-19 has continued to spread, globally and in developing Asia...

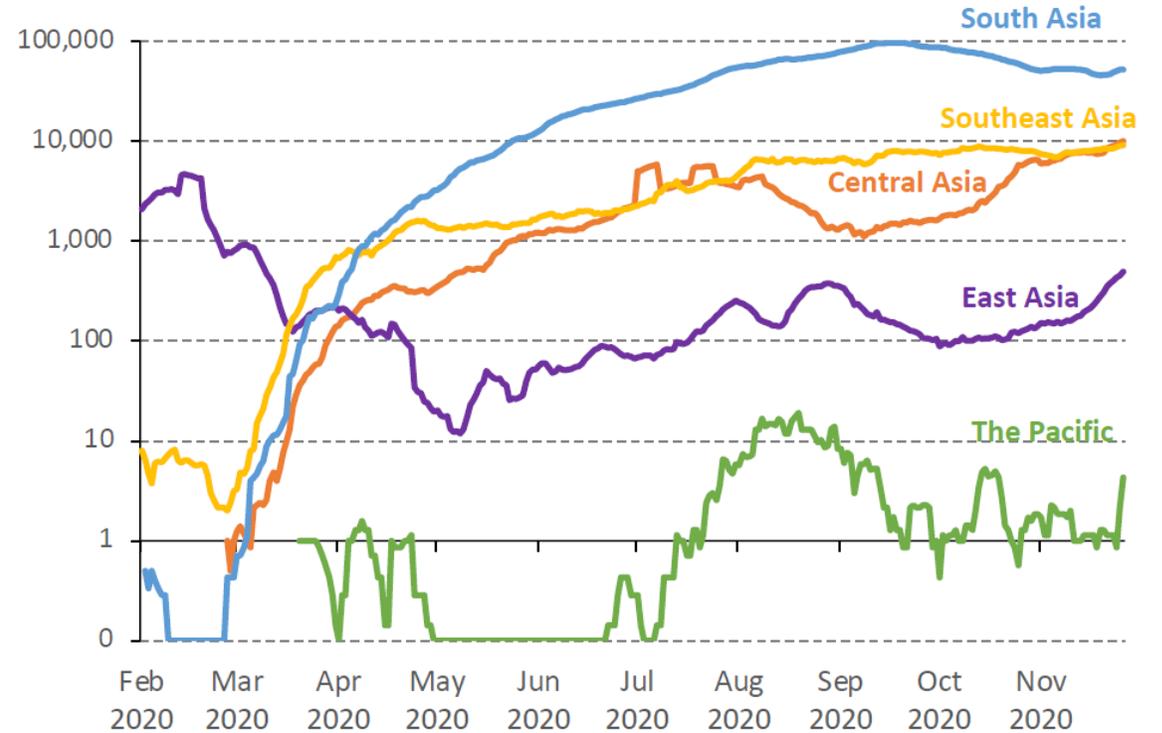
The virus continues to spread globally...

New cases, 7-day moving average
(Log scale)



...with South Asia being the epicenter in developing Asia.

New cases, 7-day moving average
(Log scale)



Note: Latin American includes Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, Venezuela.

Sources: European Centre for Disease Prevention and Control, Johns Hopkins University, Telegraph UK, and Worldometer (accessed on 1 December 2020).

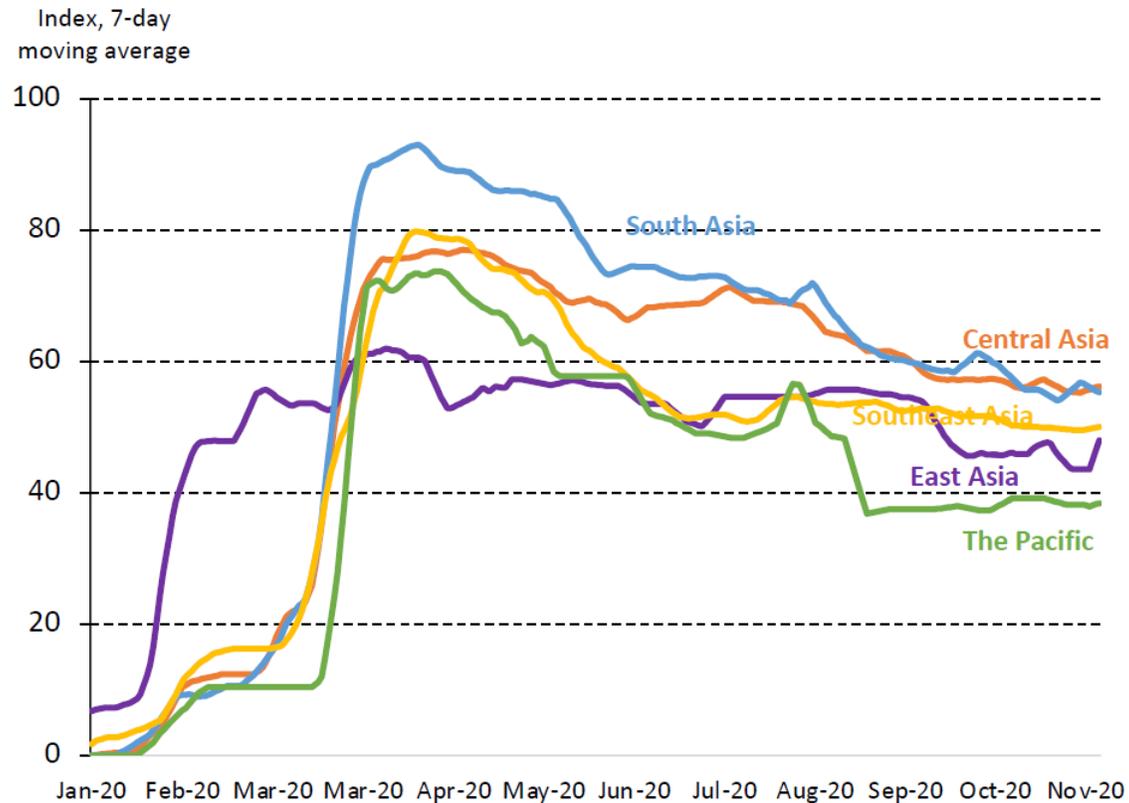
Sources: European Centre for Disease Prevention and Control, Johns Hopkins University, Telegraph UK, and Worldometer (accessed on 1 December 2020).

...but containment is easing and mobility is improving, albeit to varying degrees.

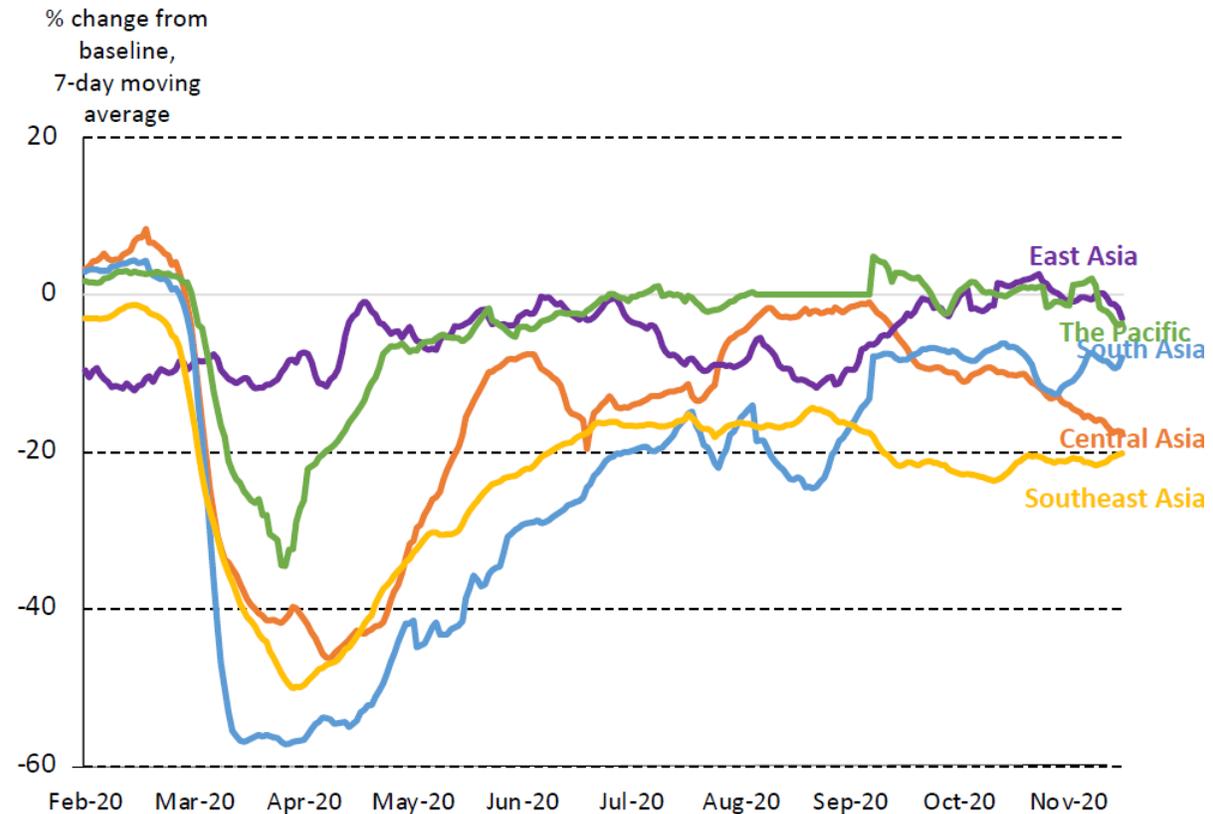
Containment measures in Asia are now being eased...

...which has helped mobility start to normalize.

7-day moving average stringency by subregion



7-day moving average mobility by subregion

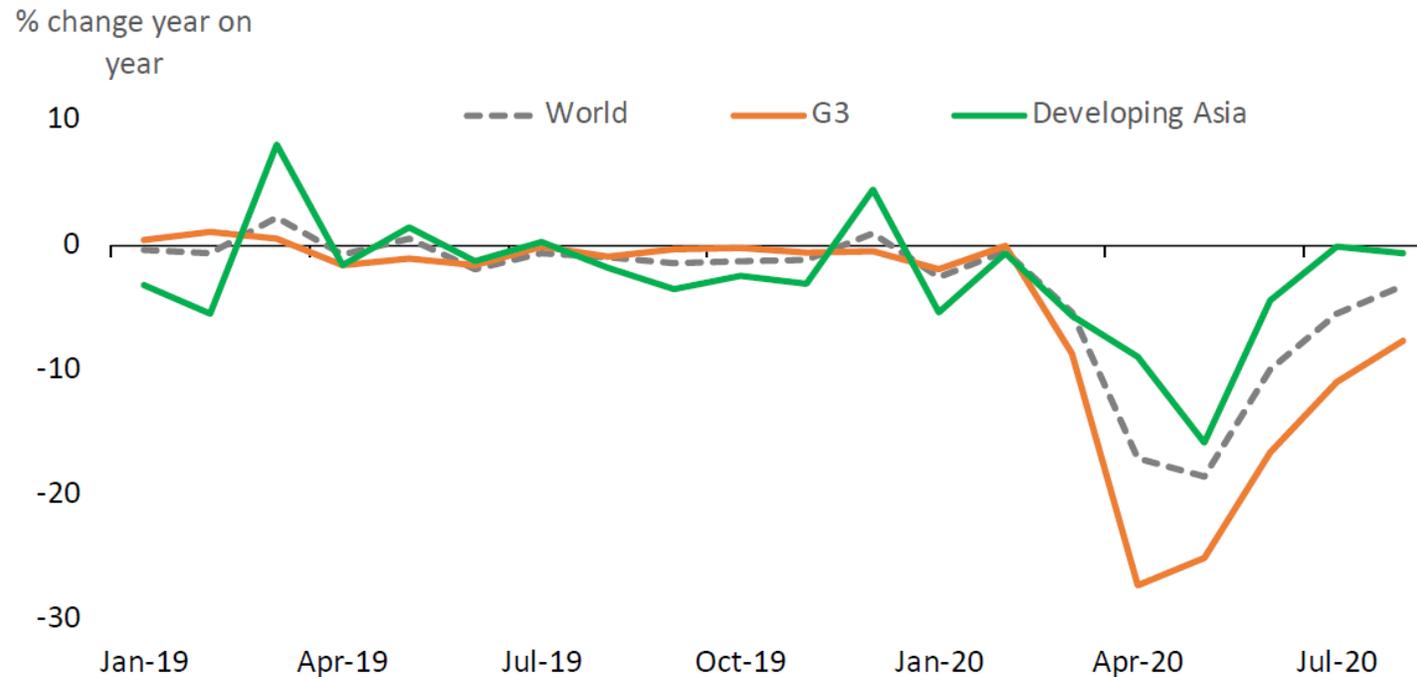


Note: The Government Response Stringency index is a composite measure of nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100, with 100 being the strictest response. Source: University of Oxford. (accessed 27 November 2020).

Goods exports have rebounded quickly, with strong demand for health supplies and electronics...

Exports of health supplies and electronics have helped Asia's exports recover.

Real exports



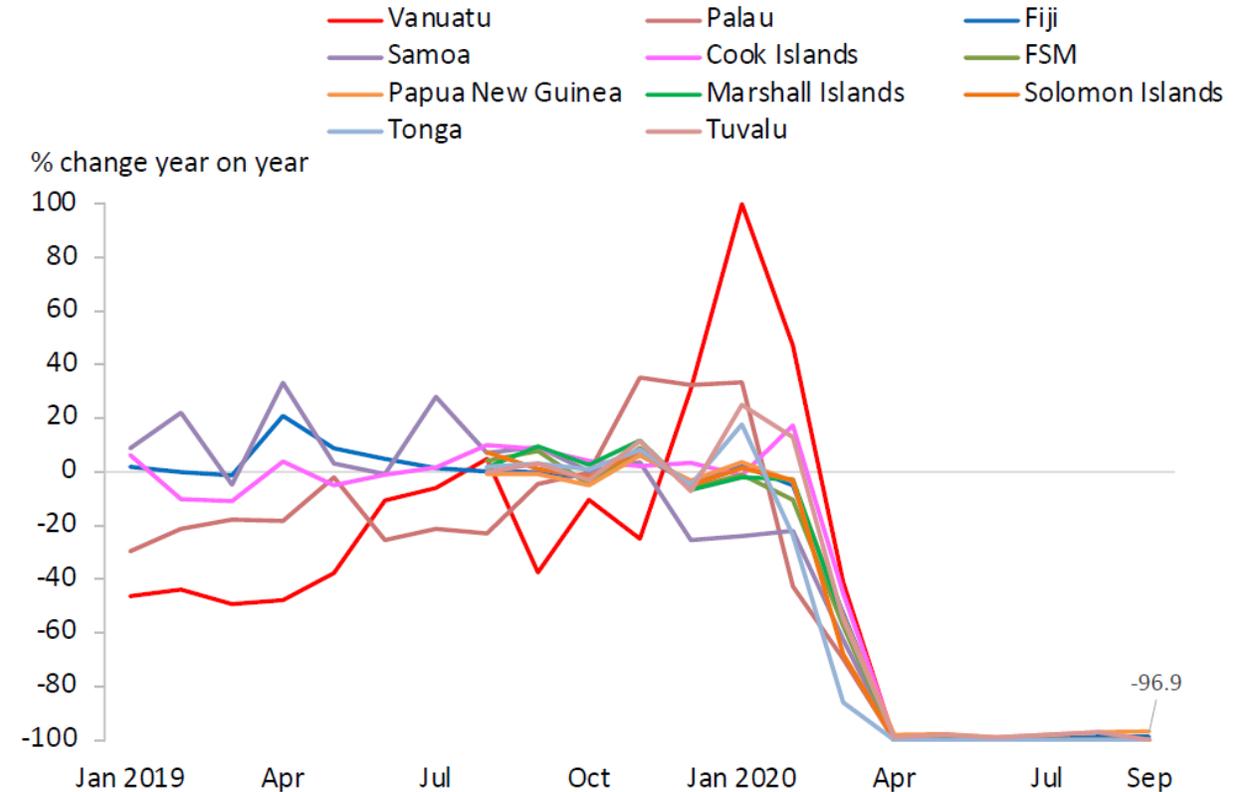
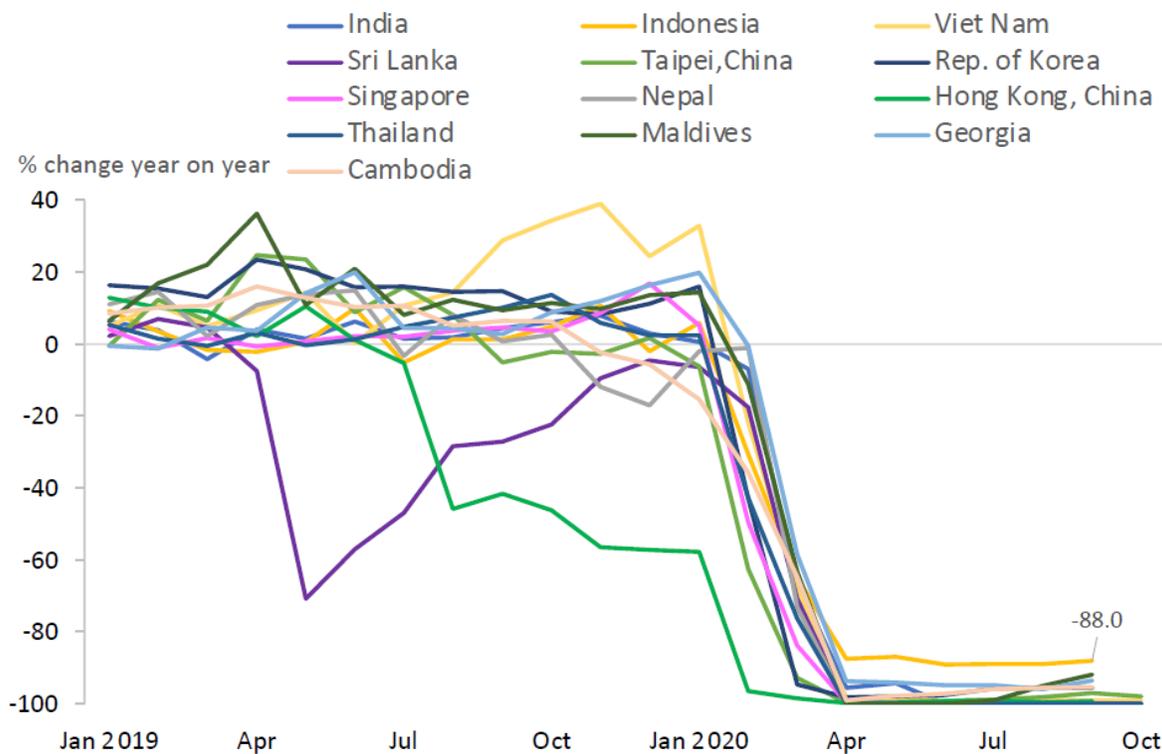
Notes: G3 refers to the weighted average of US, Japan, and Euro area. Developing Asia refers to the weighted average of PRC; Hong Kong, China; India; Indonesia; Republic of Korea; Malaysia; Pakistan; Philippines; Singapore; Taipei, China; Thailand; and Viet Nam.

Source: CPB Netherlands Bureau for Economic Policy Analysis. Available: <https://www.cpb.nl/en/worldtrademonitor> (accessed 16 November 2020).

...but no end is yet in sight for the global tourism collapse...

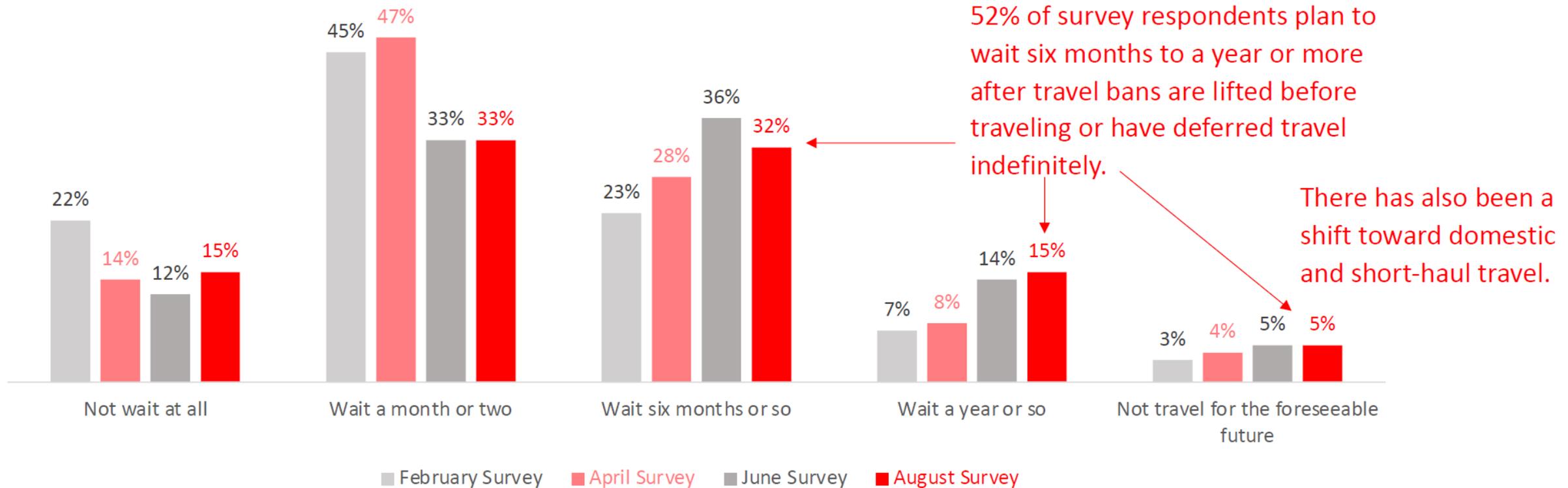
For the 24 economies with tourist arrivals data available for August, the year-on-year decline in arrivals ranges from 88% to 100%. For Pacific economies, year-on-year declines in arrivals are between 97% and 100%.

Decline in tourist arrivals, selected developing Asian economies



...with many travelers deferring travel for a longer period.

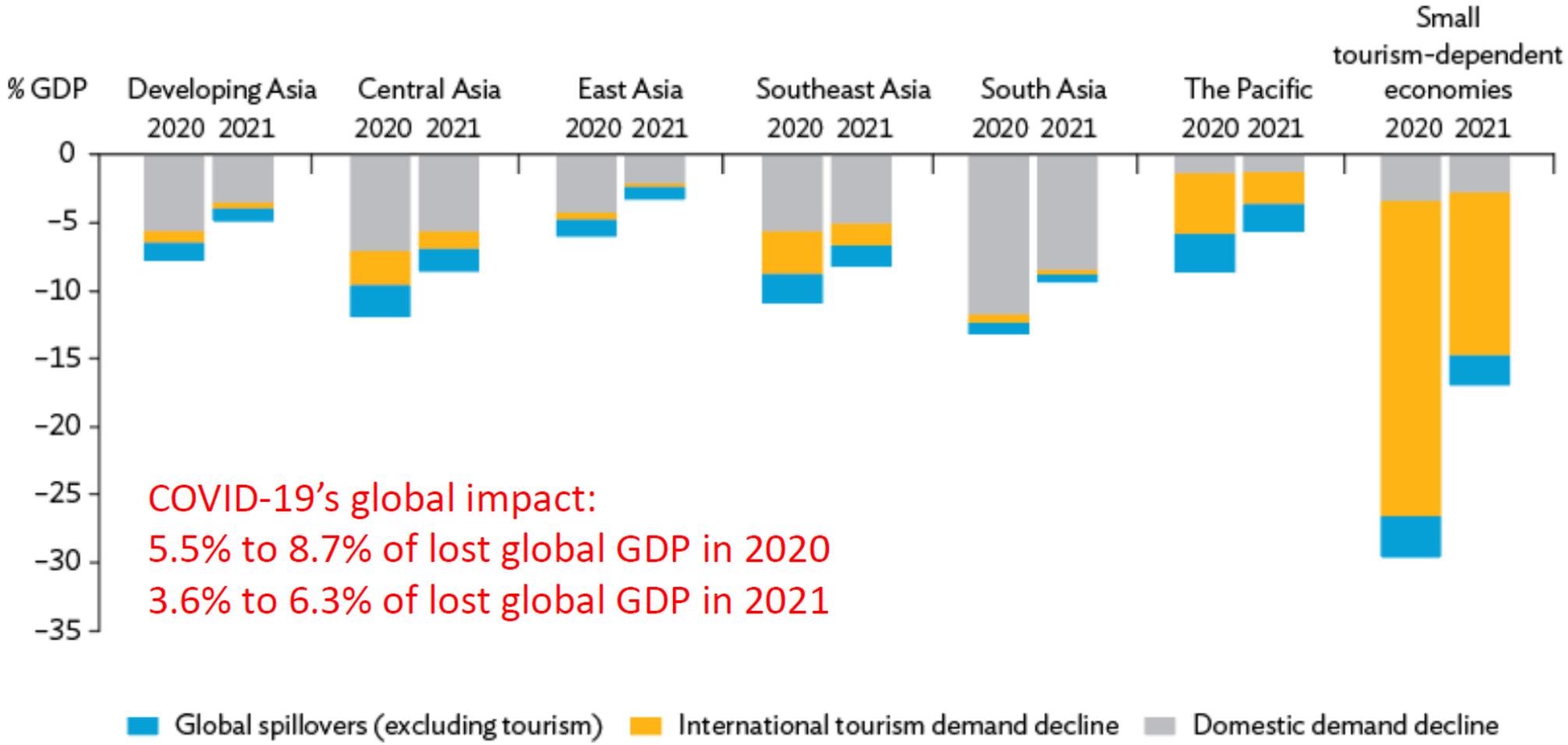
Travel plans after bans are lifted



Source: IATA

As a result, COVID-19's impact will drag into 2021...

COVID-19's impact on developing Asian subregions (relative to a no-COVID baseline)

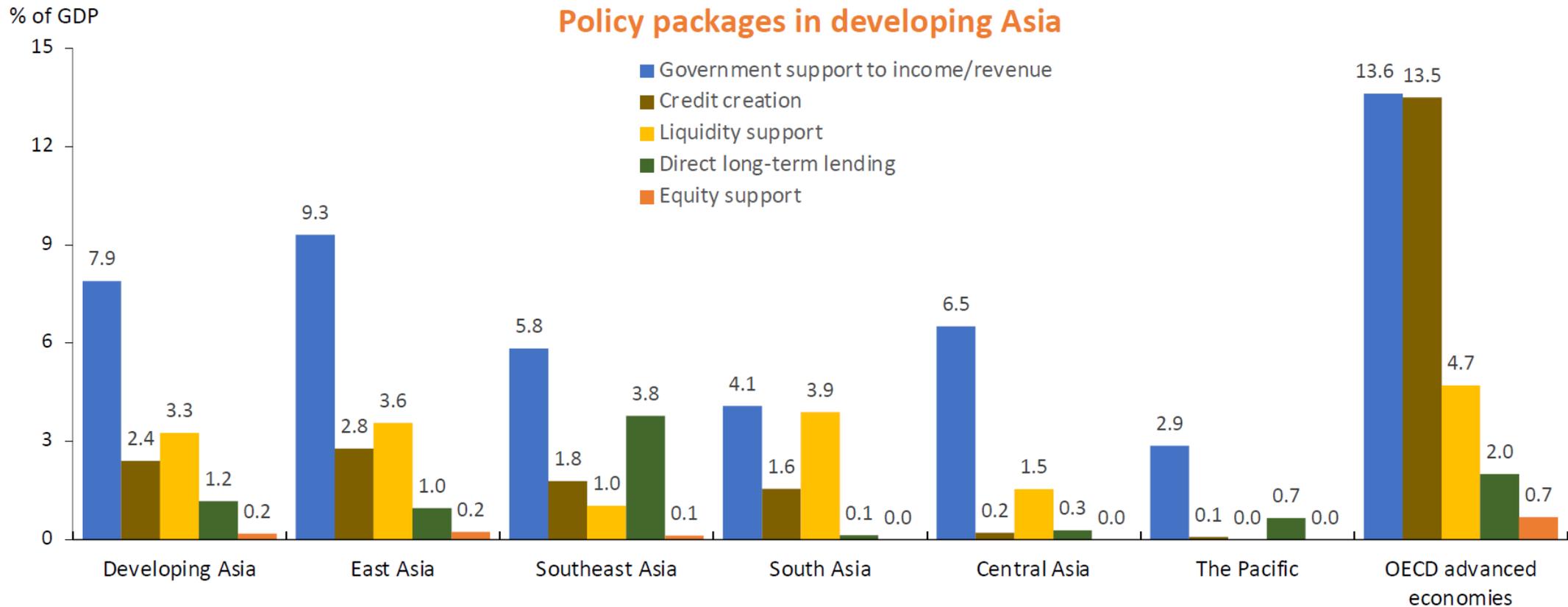


COVID-19's global impact:
 5.5% to 8.7% of lost global GDP in 2020
 3.6% to 6.3% of lost global GDP in 2021

Note: Small tourism-dependent economies include Cook Islands, Fiji, Maldives, Palau, and Vanuatu.
 Source: *The Impact of COVID-19 on Developing Asia: The Pandemic Extends into 2021*. ADB Brief No. 159, 4 December 2020.

...so Asian governments have stepped in with a wide-ranging crisis response.

Government income support accounts for more than half of the region's policy response.



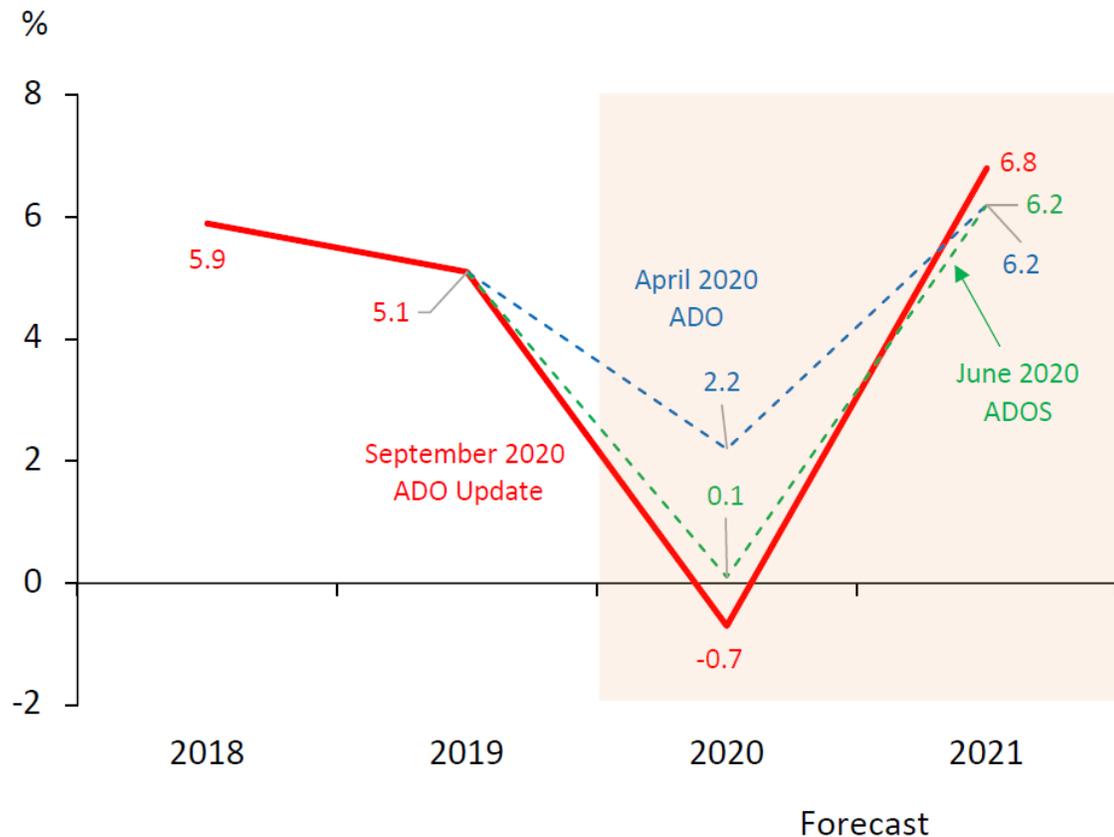
Note: Data as of 2 November 2020.

Source: Compiled from ADB COVID-19 Policy Database, <https://covid19policy.adb.org/> (accessed on 9 November 2020).

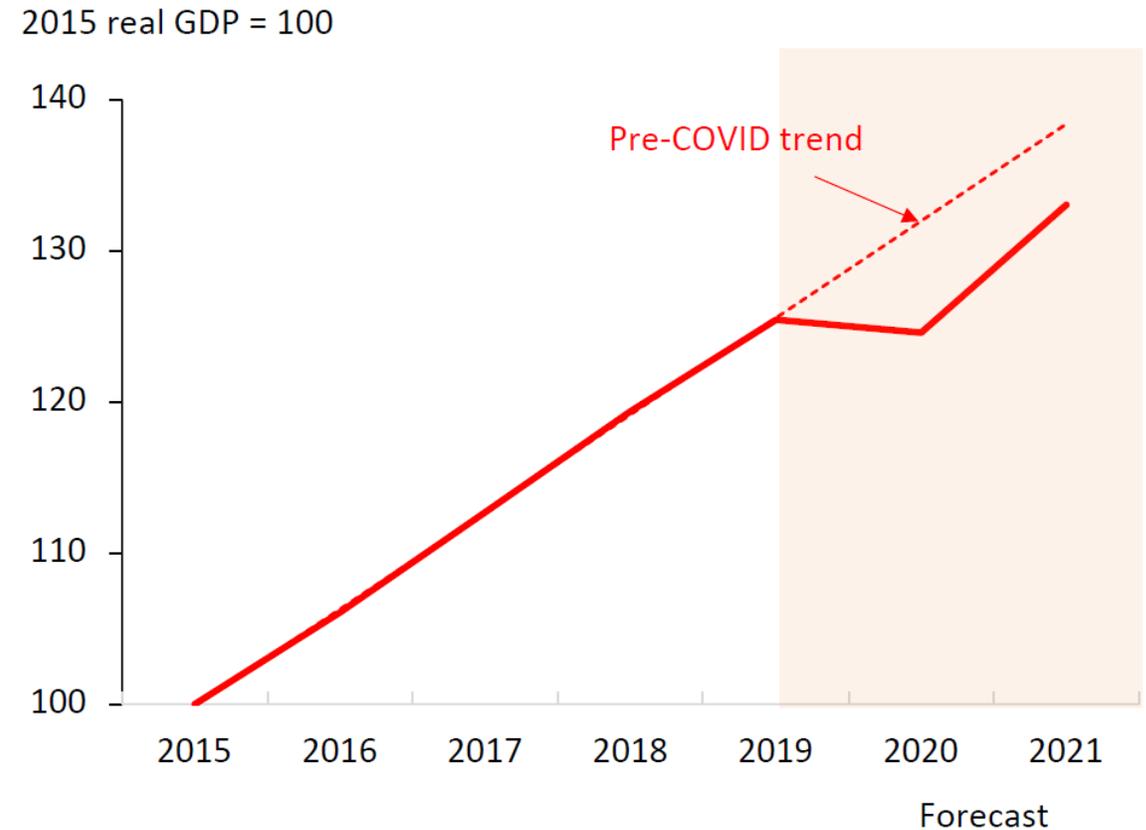
Regional GDP will contract this year, for the first time in nearly 6 decades...

After a 0.7% contraction this year, growth will resume in 2021... ...but output will remain well below where it should be.

Real GDP growth in developing Asia



Real GDP levels in developing Asia



...but prospects are diverging within the region.

| | 2020 | | 2021 | | | 2020 | | 2021 | |
|------------------------|------------|---------------|------------|--------------|-----------------------|-------------|---------------|------------|--------------|
| | ADO | ADOU | ADO | ADOU | | ADO | ADOU | ADO | ADOU |
| East Asia | 2.0 | 1.3 ▼ | 6.5 | 7.0 ▲ | South Asia | 4.1 | -6.8 ▼ | 6.0 | 7.1 ▲ |
| Hong Kong, China | -3.3 | -6.5 ▼ | 3.5 | 5.1 ▲ | Bangladesh | 7.8 | 5.2 ▼ | 8.0 | 6.8 ▼ |
| PRC | 2.3 | 1.8 ▼ | 7.3 | 7.7 ▲ | India | 4.0 | -9.0 ▼ | 6.2 | 8.0 ▲ |
| Republic of Korea | 1.3 | -1.0 ▼ | 2.3 | 3.3 ▲ | Pakistan | 2.6 | -0.4 ▼ | 3.2 | 2.0 ▼ |
| Taipei,China | 1.8 | 0.8 ▼ | 2.5 | 3.5 ▲ | Central Asia | 2.8 | -2.1 ▼ | 4.2 | 3.9 ▼ |
| Southeast Asia | 1.0 | -3.8 ▼ | 4.7 | 5.5 ▲ | Azerbaijan | 0.5 | -4.3 ▼ | 1.5 | 1.2 ▼ |
| Indonesia | 2.5 | -1.0 ▼ | 5.0 | 5.3 ▲ | Kazakhstan | 1.8 | -3.2 ▼ | 3.6 | 2.8 ▼ |
| Malaysia | 0.5 | -5.0 ▼ | 5.5 | 6.5 ▲ | The Pacific | -0.3 | -6.1 ▼ | 2.7 | 1.3 ▼ |
| Philippines | 2.0 | -7.3 ▼ | 6.5 | 6.5 | Fiji | -4.9 | -19.8 ▼ | 3.0 | 1.0 ▼ |
| Singapore | 0.2 | -6.2 ▼ | 2.0 | 4.5 ▲ | Papua New Guinea | 0.8 | -2.9 ▼ | 2.8 | 2.5 ▼ |
| Thailand | -4.8 | -8.0 ▼ | 2.5 | 4.5 ▲ | Excluding NIEs | 2.4 | -0.5 ▼ | 6.7 | 7.2 ▲ |
| Viet Nam | 4.8 | 1.8 ▼ | 6.8 | 6.3 ▼ | | | | | |
| Developing Asia | 2.2 | -0.7 ▼ | 6.2 | 6.8 ▲ | | | | | |

▲ = upgraded forecast, ▼ = downgraded forecast, no sign = unchanged.

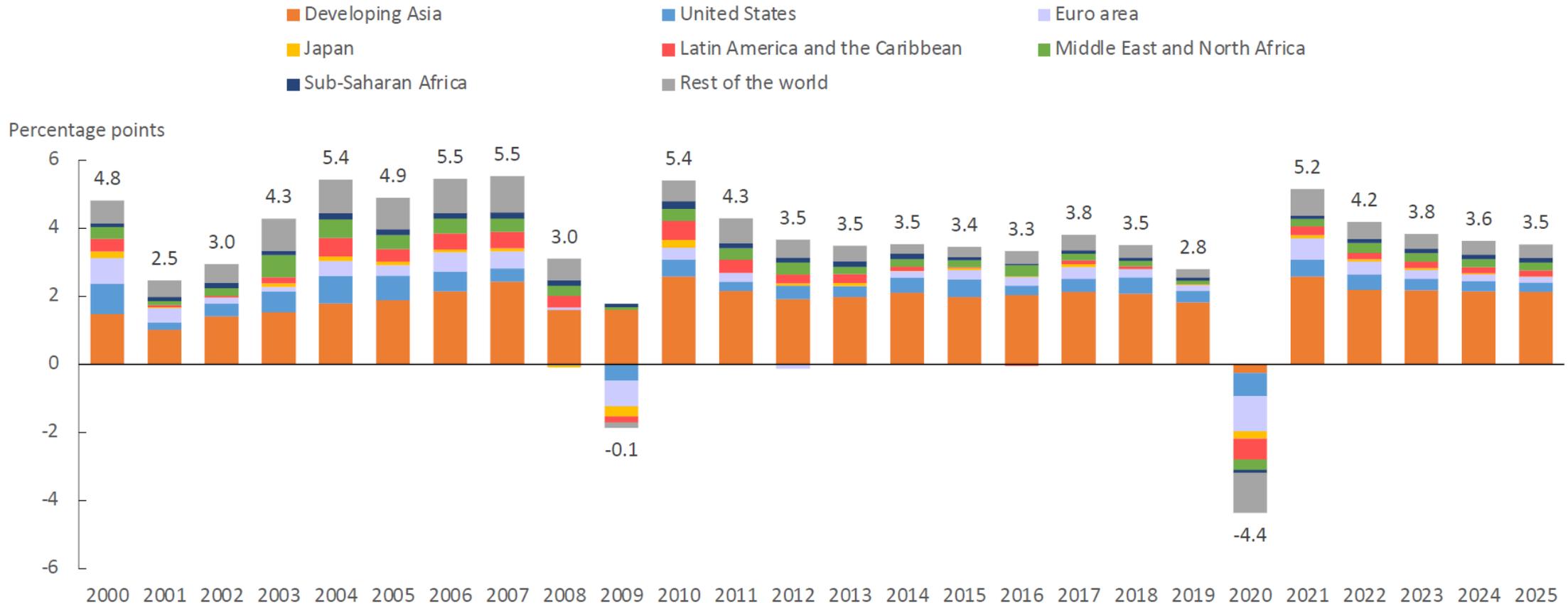
Source: Asian Development Outlook database.

Risks are becoming more balanced...

- The main risk is of a **prolonged pandemic** (extended first wave, or recurrent waves) which can derail the recovery, and undermine stability in some economies
- Recent developments on the vaccine front are tempering this risk. But safe, effective, and timely vaccine delivery in developing economies is necessary if they are to share equitably in the benefits
- Worsening **geopolitical tensions** are another risk—most notably intensified US–PRC frictions over trade and technology
- The recent US election results may result in more predictability and possibly more multilateral approaches to resolution, but it is unlikely to fully resolve tensions between the world’s two largest economies.
- The pandemic may have many **long-term effects**—on growth potential, income inequality, trade, and digitalization, among others

...and developing Asia is still expected to drive global growth post-COVID.

Contributions to global growth



Source: Asian Development Outlook database; World Economic Outlook database, October 2020.

**End of Slide
Thank you!**

Panel: Financial Crimes Compliance Themes in the Pacific Region: TBML, AML/CFT and Remittance Flows



Karen Nitschke
Head of Financial Crime, Institutional
ANZ



Dian Ediana Rae
Co regional Representative Asia & Pacific,
Egmont Group Head, PPATK
Indonesia FIU



Lotte Schou-Zibell
Regional Director,
Pacific Liaison and Coordination Office
Asian Development Bank



Irma Daphney Stone
Operations Manager
Oceania Customs Organization
Secretariat



Moderated by:
Gordon Hook
Executive Secretary
Asia Pacific Group



Thank you for joining us today!

Next session [DAY 2] Tue, 8:00 AM Manila [12:00 PM Suva]

Topic: Public-Private Partnerships

- Successes
- Challenges
- Realities on the ground
- Emerging best practices



End of DAY 1