



THE REPUBLIC OF THE UNION OF MYANMAR

THE ANTI MONEY LAUNDERING CENTRAL BODY

LEGAL PERSONS RISK ASSESSMENT

As approved by AMLCB

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MONEY LAUNDERING RISK ASSESSMENT COMMITTEE ON LEGAL PERSONS

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Foreword by Chairman of Central Body on Anti Money Laundering

Myanmar has been making strong efforts to combat money laundering and terrorist financing since the issuance of the Anti-Money Laundering Law in 2014 and the Anti Money Laundering Rules in 2015. The Central Body on Anti-Money Laundering is actively implementing anti-money laundering and countering the financing of terrorism measures by creating AML/CFT policies, conducting National Risk Assessments and developing National Strategies, as well as promoting domestic and international cooperation.

In accordance with the responsibilities outlined in the Anti-Money Laundering Law (2014) and FATF's Recommendation (1), the AMLCB conducted the National Risk Assessment (NRA) and released a report on July 12th, 2018, with the approval of the Union Government.

Based on the findings of the NRA report and comments by the APJG, the Central Body on Anti-Money Laundering formed and assigned the "Money Laundering Risk Assessment Committee on Legal Persons" on December 31st, 2021, through Order No. (1/2021). The committee comprises experts from relevant departments and aims to gain a better understanding of the money laundering risks associated with legal persons.

The Legal Person Risk Assessment report can provide more knowledge about the money laundering risks associated with legal persons and also plays a significant role in establishing policies for the AML/CFT regime.

Foreword by Chairman of Money Laundering Risk Assessment Committee on Legal Persons

According to the assignment of the Anti-Money Laundering Central Body, the Money Laundering Risk Assessment Committee on Legal Persons has identified and assessed the ML risks related to legal persons.

The committee has endeavored to assess the money laundering risks related to legal persons in order to better understand the risks that were identified in the National Risk Assessment report released in 2018, as well as in action plan item one, immediate outcomes (IO-1), of the progress report that Myanmar is required to submit to APJG.

Although the Committee did not obtain technical assistance to implement the risk assessment, it used the risk assessment methodology of the IMF and conducted analyses by holding meetings with representatives of relevant departments. The Committee also based its analysis on the information in the National Risk Assessment Report, survey results, and open sources.

In this report, money laundering threats, vulnerabilities, and methods related to legal persons were identified and assessed. This assessment report raises awareness of the potential risks of money laundering related to Legal Persons and enables reporting organizations and competent authorities to establish better preventive measures, appropriate criteria, and policies in the future.

1. INTRODUCTION

1. In Myanmar, the national risk assessment on money laundering and terrorist financing was conducted, and its report was released in 2018. The report highlighted some weaknesses in AML/CFT supervision and transparency of beneficial ownership with regard to legal persons. Therefore, it is essential to have a better understanding of these risks.

2. Furthermore, in action plan item one (immediate outcomes -1) of progress report which has to submit to Asia-Pacific Joint Group (APJG) by Myanmar, it was recommended to more understand the ML risks related to legal persons.

3. Accordingly, Anti-Money Laundering Central Body formed the “Money Laundering Risk Assessment Committee on Legal Persons” comprising twelve members with Financial Intelligence Unit (FIU) leader as the chairman by Order No. (1/2021) on 31 December 2021.

4. The Committee comprise with the experts from government sectors such as Bureau of Special Investigation, Internal Revenue Department, Ministry of Planning and Finance, Ministry of Legal Affairs, Department of Trade, Central Bank of Myanmar, Directorate of Investment and Company Administration and Anti-Corruption Commission and private sectors such as Republic of the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) and Myanmar Institute of Certified Public Accountants (MICPA) are also involved.

5. To better understand the risks of money laundering, the committee used information from the NRA report (2018), the results of meetings, information from relevant departments, opinions of experts, and other independent sources of information to identify and assess the money laundering risks related to legal persons.

2. METHODOLOGY

6. The assessment of money laundering risks related to legal persons aims to update and provide a better understanding of the risks identified in the NRA report (2018) concerning legal persons. Despite not receiving technical assistance due to the outbreak of the Covid-19 global pandemic and changes in political situations, the committee assessed the ML risks related to legal persons based on the IMF's NRA Assessment Methodology. Additionally, the committee used various FATF papers, such as the FATF Guidance on National Money Laundering and Terrorist Financing Risk Assessment, the FATF Guidance on Terrorist Financing Risk Assessment, the FATF Guidance on Transparency and Beneficial Ownership, the Luxembourg ML/TF Vertical Risk Assessment Legal Persons and Legal Arrangement, and the World Bank Legal Persons and Legal Arrangement ML Risk Assessment Tool as the foundation for this methodology.

2.1 Risk Formula

7. According to the IMF assessment methodology, the level of ML risk is formally defined as the likelihood of ML events occurring successfully in a jurisdiction multiplied by the consequences(s) of those events. Likelihood is represented as a function (the coexistence) of ML threat and ML vulnerability.

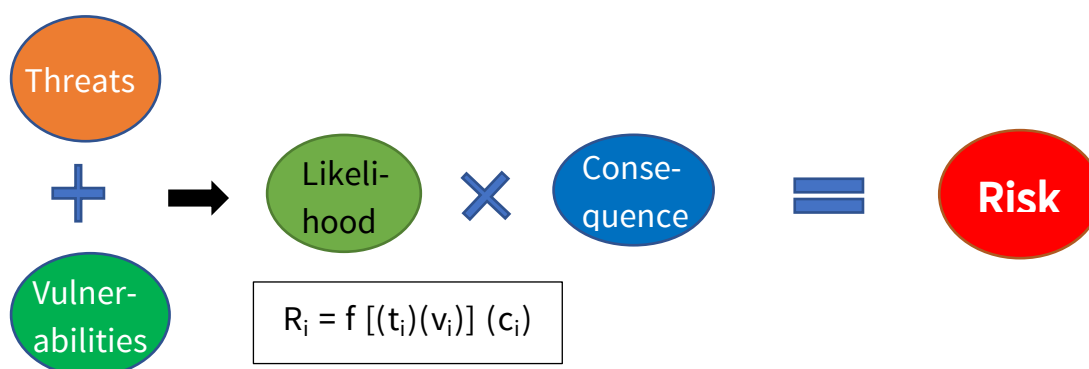
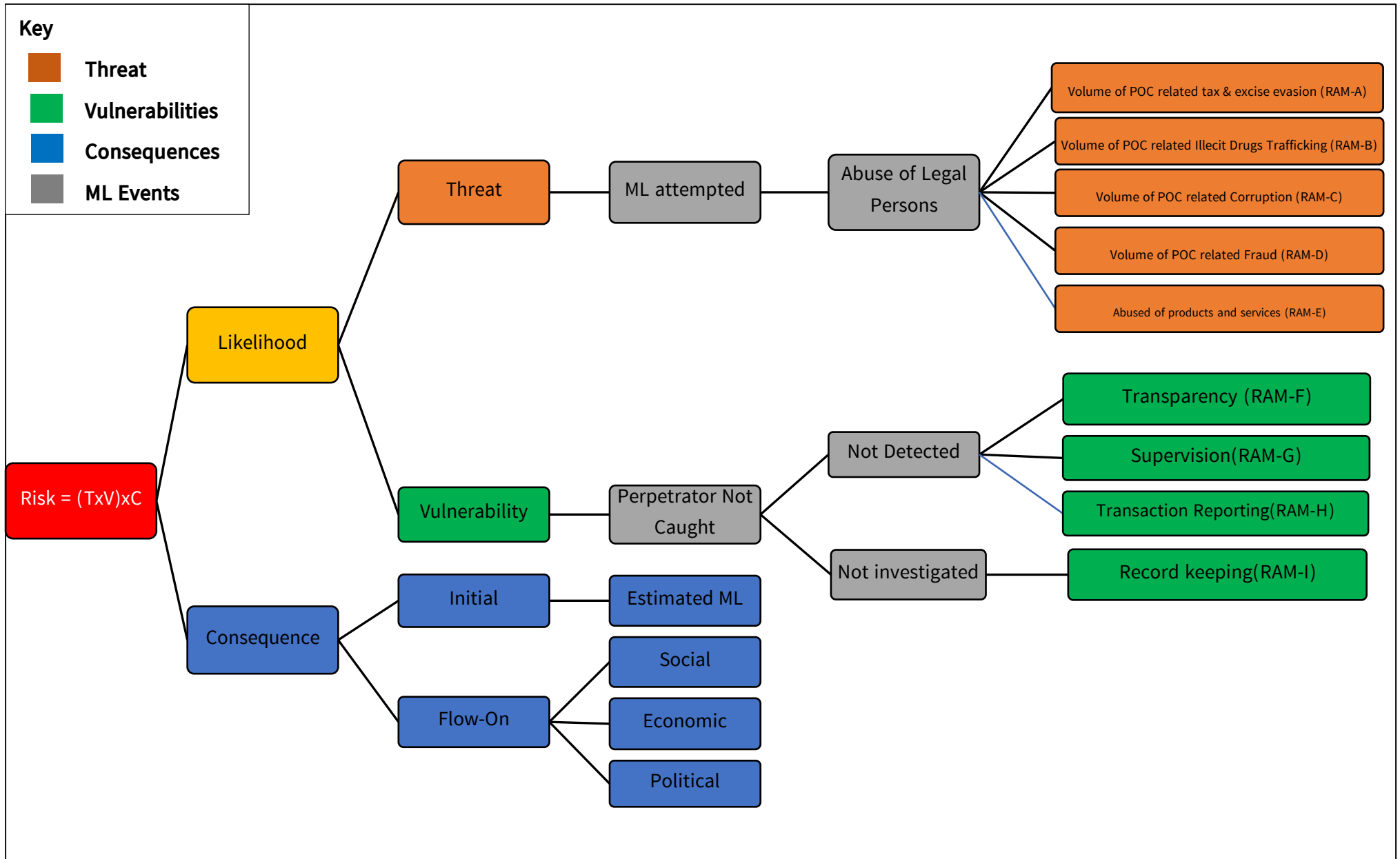


Figure -1: Risk formula

Figure-2: Methodology for Risk Assessment



2.2 Risk Assessment Processes

8. In assessing the risk of money laundering related to legal persons, the first stage involves identifying and assessing the ML likelihood or inherent risk of legal persons. The ML likelihood or inherent risk is a function of threats and vulnerabilities. The level of ML likelihood driven by threats and vulnerabilities is identified and assessed using the IMF's assessment methodology.

| | |
|---------------------------------|---|
| | Legal Persons Risk |
| Assessment of the Inherent Risk | Inherent Risk = Threats x Vulnerabilities |

9. In the second stage, consequences of money laundering are identified by the dimension of political, Economic, geographical and social impacts. According to the methodology of the International Monetary Fund (IMF), the risk score was evaluated using 7 levels as follows:

| Likelihood descriptor | Consequence descriptor | Risk descriptor | Controls descriptor | Scale descriptor | Percentage or proportion descriptor | Indicator score |
|-----------------------|------------------------|------------------|---------------------|------------------|-------------------------------------|-----------------|
| Extremely higher | Huge or Severe | Extremely higher | Abysmal | Very Large | All | 7 |
| Much higher | Very Major | Much higher | Very poor | Large | Almost all | 6 |
| Higher | Major | Higher | Poor | Medium | Vast majority | 5 |
| Medium | Moderate | Medium | Adequate | Small | Majority | 4 |
| Lower | Minor | Lower | Very good | Very small | Some | 3 |
| Much lower | Very Minor | Much lower | Excellent | Extremely small | Few | 2 |
| Very much lower | Negligible | Very much lower | World Best Practice | Micro | Almost none | 1 |

Figure 3: Pre-Defined Terms

| Measurement scale for economic activity ¹ - | Measurement scale for DPOC, and international POC flows in local currency | Measurement scale for DPOC, and international POC flows | Measurement scale for DPOC, and international POC flows in local currency | Measurement scale for FT | Measurement scale for FT in local currency | Scale for percentage of activity | Indicator score |
|--|---|---|---|--------------------------|--|----------------------------------|-----------------|
| > \$1t | > MMK1,200t | > \$100b | > MMK120t | > \$10m | > MMK12b | > 95% | 7 |
| > \$100b-\$1t | > MMK120t-MMK1,200t | > \$50b-\$100b | > MMK60t-MMK120t | > \$5m - \$10m | > MMK6b - MMK12b | > 85-95% | 6 |
| > \$10b-\$100b | > MMK12t-MMK120t | > \$10b-\$50b | > MMK12t-MMK60t | > \$1m - \$5m | > MMK1.2b - MMK6b | > 70-85% | 5 |
| > \$1b-\$10b | > MMK1.2t-MMK12t | > \$1b-\$10b | > MMK1.2t-MMK12t | > \$100,000 - \$1m | > MMK120m - MMK1.2b | > 50-70% | 4 |
| > \$100m-\$1b | > MMK120b-MMK1.2t | > \$100m-\$1b | > MMK120b-MMK1.2t | > \$10,000 - \$100,000 | > MMK12m-MMK100m | > 25-50% | 3 |
| > \$10m-\$100m | > MMK12b-MMK120b | > \$10m-\$100m | > MMK12b-MMK120b | ≥ \$1,000-\$10,000 | ≥ MMK1.2m-MMK12m | ≥ 10- 25% | 2 |
| 0-\$10m | 0-MMK12b | 0-\$10m | 0-MMK12b | 0-\$1,000 | 0-MMK1.2m | < 10% | 1 |

Figure 4: Pre-Defined Terms

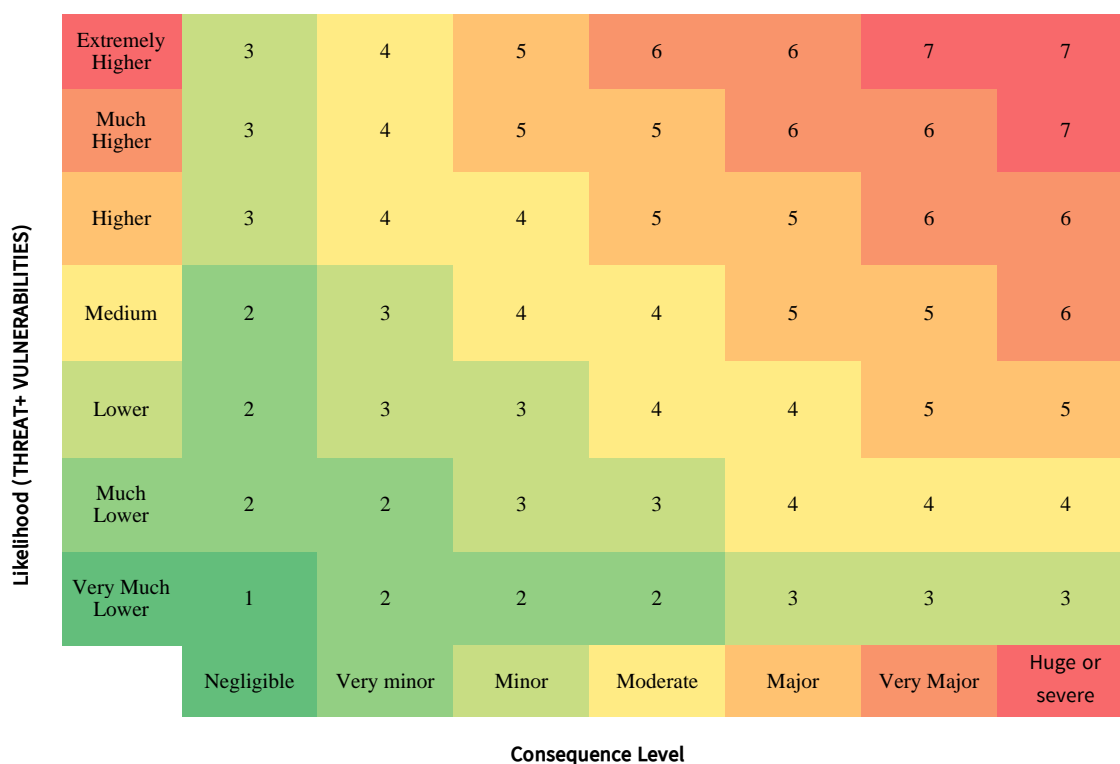


Figure 5: Risk Matrix

3. Overview of Risk Assessment

10. The legal persons are assessed as having a higher level of ML risk, driven by a higher ML likelihood and a major consequence of substantial ML occurring successfully. This is because higher likelihood of ML attempted and perpetrator are not being caught.

11. When assessing the threats, four predicate offences appear to be most relevant for legal persons and legal arrangements: tax & excise evasion, Illicit trafficking in narcotic drugs and psychotropic substances, corruption and bribery, and fraud. Consequently, this assessment has been focused on these four threats. Furthermore, these four threats were considered as the highest threats to legal persons (all were assessed as “High”, except for fraud assessed as medium).

12. In Myanmar, the Myanmar Companies Law (2017) has been enacted for companies, and the Law Relating to Registration of Associations (2022) terms of NGO/INGOs has been enacted. The Directorate of Investment and Companies Administration serve as the registration department for legal persons. For the legal persons, the AML control level for Supervision and Transparency of legal persons are assessed as adequate and Transaction Reporting Volume and Quality and Record Keeping are assessed as poor.

13. General Administration Department serve as registry office for NGOs/INGOs at the division, state, province, township, self-administered region, Nay Pyi Taw, and other regional levels. For the NGOs/INGOs, the AML control level for Supervision, Transparency of legal persons, Transaction Reporting Volume and Quality and Record Keeping are assessed as poor. The overall AML control level for Supervision (RAM G), Transparency of legal persons (RAM F), Transaction Reporting Volume (RAM H) and Quality and Record Keeping (RAM I) are assessed as poor.

4. Overview of ML Likelihood

14. In undertaking the ML risk assessment on legal persons, the Committee utilized the IMF staff and their NRA methodology. The methodology is organized around the three components of ML risk—threat, vulnerability and consequence. According to the assessment process, the ML likelihood or inherent risks related to legal persons were identified by the conjunctions of ML threats and vulnerabilities. The likelihood of money laundering was assessed as higher due to the higher likelihood of threats and higher likelihood of vulnerabilities.

15. The ML Likelihoods that may exist within legal persons for each offense are as follows:

| Crime Types | | Vulnerabilities | | Overall Likelihood (Inherent Risk) |
|---|---|---------------------------------------|----------|------------------------------------|
| | | Legal Persons (Companies+Association) | NGO/INGO | |
| Threat | Tax & excise evasion | Higher | Higher | Higher |
| | Illicit trafficking in narcotic drugs and psychotropic substances | Higher | Higher | Higher |
| | Corruption and bribery | Higher | Higher | Higher |
| | Fraud | Medium | Higher | Higher |
| Overall Likelihood (Inherent Risk) | | | | Higher |

Table 1: ML Likelihood by crime types

Table 2: Risk Summary Matrix – Main Threats and Vulnerabilities Driving ML Likelihood

| High-Level Risk Event Likelihood | Contributing Risk Event Likelihood | Risk Analysis Modules | Main Factors Increasing Score | Main Factors Reducing Score |
|---|--|---|---|---|
| 1. ML Attempted “Higher” 5.0 | 1a. Abuse of Leal Person “Higher” 5.0 | (A) Volume of POC related tax & excise evasion “Higher” 5.0 | <ul style="list-style-type: none"> • Little detection of crimes involving corporate entities. • High volume of POCs resulting from tax evasion according to National Risk Assessment Report. • Limited awareness of AML/CFT in Law Enforcement Agencies. • Law enforcement agencies’ weak investigation and prosecution on corporate entities and their original owners in money laundering investigations. • Limited awareness of AML/CFT in legal persons. • According to the assessment, the volume of POC that may exist among corporate entities is estimated to be between \$10 million to 100 million. | <ul style="list-style-type: none"> • Internal Revenue Department encourages the taxpayer to use Self-Assessment System so that businesses can pay taxes easily. • Firms are more willing to pay taxes since government subsidies loan only to the tax payers. |
| | | (B) Volume of POC related Illicit Drugs Trafficking (RAM-B) “Higher” 5.0 | <ul style="list-style-type: none"> • Few detections of crimes involving corporate entities. • High volume of POC comes from illegal trading of narcotics and psychoactive drug according to National Risk Assessment Report. | |

| High-Level Risk Event Likelihood | Contributing Risk Event Likelihood | Risk Analysis Modules | Main Factors Increasing Score | Main Factors Reducing Score |
|----------------------------------|------------------------------------|---|---|--|
| | | | <ul style="list-style-type: none"> • Limited awareness of AML/CFT in law enforcement entities. • Law enforcement agencies' weak investigation and prosecution on legal persons and their original owners in money laundering investigations. • According to the assessment, the volume of POC that may exist among corporate entities is estimated to be between \$10 million to 100 million. | |
| | | <p>(C) Volume of POC related Corruption "Higher" 5.0</p> | <ul style="list-style-type: none"> • Little detection of crimes involving corporate entities. • High volume of POC resulting from corruption according to National Risk Assessment Report. • Limited awareness of AML/CFT in law enforcement entities. • Law enforcement agencies' weak investigation and prosecution on corporate entities and their original owners in money laundering investigations. • Limited awareness of AML/CFT in legal persons. | <ul style="list-style-type: none"> • UMFCCI (private sector) formed the Responsible Business and Resource Development Committee with different stakeholders including Myanmar Real Estate Services Association, Mon State, Kayin State, Bago Region and Mandalay Region Real Estate Services Associations, Myanmar Gems and Jewelry Entrepreneurs Association, Moegoke, Mandalay, Hpakan, Myitkyina and Sagaing Gems and Jewelry Associations, Federation of Myanmar Gold Entrepreneurs Association, Mon and Mandalay Gold Associations and |

| High-Level Risk Event Likelihood | Contributing Risk Event Likelihood | Risk Analysis Modules | Main Factors Increasing Score | Main Factors Reducing Score |
|----------------------------------|------------------------------------|--|---|---|
| | | | <ul style="list-style-type: none"> • According to the assessment, the volume of POC that may exist among corporate entities is estimated to be between \$10 to 100 million. | <p>deeply collaborate in the Anti Money Laundering and Anti-Corruption. Consequently, legal persons' understanding and compliances are improved significantly.</p> <ul style="list-style-type: none"> • To prevent and reduce AML through illicit trade and corruption, government permits exporting by license and utilizing QR Code System for Cargo Vehicle. Thus, custom and border agencies can monitor and investigate vehicles without of person-to-person contact. • Exporters are operating under the regulations. |
| | | <p>(D) Volume of POC related Fraud "Higher" 5.0</p> | <ul style="list-style-type: none"> • Few detections of crimes involving corporate entities. • High volume of POC resulting from fraud according to National Risk Assessment Report. • Limited awareness of AML/CFT in law enforcement entities. • Law enforcement agencies' weak investigation and prosecution on legal | |

| High-Level Risk Event Likelihood | Contributing Risk Event Likelihood | Risk Analysis Modules | Main Factors Increasing Score | Main Factors Reducing Score |
|---|---|--|---|---|
| | | | <p>persons and their original owners in money laundering investigations.</p> <ul style="list-style-type: none"> Limited awareness of AML/CFT in corporate entities. According to the assessment, the volume of POC that may exist among legal persons is estimated to be between \$10 to 100 million. | |
| | | <p>(E) Abused of Products and Services “Higher” 5.0</p> | <ul style="list-style-type: none"> Having internationally connected activities in legal persons. Limited awareness of AML/CFT in corporate entities. Having large capital business operations in legal persons. Lack of self-assessments on ML/TF in corporate entities. | <ul style="list-style-type: none"> UMFCCI coordinates and co-operates with the Trade and Commodities Acceleration Central Committee, the Central Bank of Myanmar, private banks and companies to speed up trade and goods flows and to monitor and verify large amount of money transaction in case that the exporters do not remit their export earnings to the respective licensed bank within 45 days after shipment. |
| <p>2.Perpetrator not Caught “Higher” 5.0</p> | <p>2a.ML not being Detected “Higher” 4.5</p> | <p>(F) Transparency “Higher” 4.5</p> | <ul style="list-style-type: none"> Having complex corporates structures. Operating of foreign subsidiaries in local (about 34 companies). There are large number of companies established either in the name of foreigner or name of foreign company | <ul style="list-style-type: none"> Easily access on the information of registered companies such as the name of owner, the name of shareholder in the website of the Directorate of Investment and Company Administration www.mico.dica.gov.mm . |

| High-Level Risk Event Likelihood | Contributing Risk Event Likelihood | Risk Analysis Modules | Main Factors Increasing Score | Main Factors Reducing Score |
|----------------------------------|------------------------------------|--|--|--|
| | | | <p>(about 406 companies)</p> <ul style="list-style-type: none"> • Shell companies are found in crime events. • Companies with faked registration, faked name and faked national identity number were found. • Establishment of companies which name is similar to the name of foreign companies. • Need to increase verification procedures on submitted reference documents for company registration. • Limitation of access to information regarding to the changes of beneficiary owner of NGO/INGO. • Provisions regarding criminal liability of companies and their original owners are not expressly provided in existing laws other than the Anti-Money Laundering Law. | <ul style="list-style-type: none"> • By law, only “Share Holder” is allowed but not “Nominee Share” • There have directives that “Nominee Directors are not allowed and the participants of the company are not allowed as Nominee Share Holder” • According to article 113 of Myanmar Companies Law (2017), if the company’s share capital changes, it must be submitted to the registrar within 21 days • It must be informed if the information of company’s beneficiary owner is changed. • According to the article 7 and 17 of the Law on Registration of Organization (2022), it is defined to disclose the information of beneficiary owner in NGO/INGO registration. |
| | | <p>(G) Supervision "Higher" 4.5</p> | <ul style="list-style-type: none"> • Limitation in AML/CFT on-site inspection by Supervisory Authorities. • Companies can easily register through Online • Weakness on investigation of correctness | <ul style="list-style-type: none"> • Directorate of Investment and Company Administration acting as company registration department • General Administration Department act as registry for NGO/INGO (Division, |

| High-Level Risk Event Likelihood | Contributing Risk Event Likelihood | Risk Analysis Modules | Main Factors Increasing Score | Main Factors Reducing Score |
|----------------------------------|------------------------------------|--|---|--|
| | | | <p>on identity, address and documents during company registration.</p> <ul style="list-style-type: none"> • In company registration, the fees charged by the state are just a few and so many companies can easily register. • There is no on ground inspection regarding to the data on registered. • Weakness in Domestic cooperation. | <p>State, Province, Township, Self-Administered Region, etc., regionally).</p> <ul style="list-style-type: none"> • There are directives for NGO/INGO to avoid being abused on money laundering and terrorist financing by GAD. • There is Supervisory Authority with respective DNFBPs • There is Consolidate Inter-agency Supervisory Committee including member from relevant competent authorities. • Supervisory Authorities have on-site inspection procedures |
| | | <p>(H) Transaction Reporting Volume & Quality "Higher" 5.0</p> | <ul style="list-style-type: none"> • STRs related to legal persons received by FIU is very low. • STRs related to associations received by FIU is very low. • Limited on awareness regarding STR reporting in firms. • There is no self ML/TF Risk Assessment in firms. • Weakness of verification measures regarding the beneficial owner in carrying | <ul style="list-style-type: none"> • Conducting AML/CFT awareness activities by Supervisory Authorities • FIU conduct AML/CFT awareness to businesses and associations • According to DICA Instruction No. (136/2021), a company must open a corporate bank account in the name of the company. Operating a business or transacting large amount of money (whether domestic or international) by |

| High-Level Risk Event Likelihood | Contributing Risk Event Likelihood | Risk Analysis Modules | Main Factors Increasing Score | Main Factors Reducing Score |
|----------------------------------|---|---|---|--|
| | | | <p>out the customer due diligence by the reporting organizations.</p> | <p>using private/personal account is not permitted.</p> <ul style="list-style-type: none"> The Central Bank of Myanmar, Trade and Commodities Acceleration Working Committee, private banks and private businesses are working together to increase awareness by companies and to facilitate the conversion from private/personal accounts to corporate account. |
| | <p>2.b ML not being Investigated “Higher” 5.0</p> | <p>(I) Record Keeping “Higher” 5.0</p> | <ul style="list-style-type: none"> Keeping record regarding to the “Notice of Location of Company Registers and Indexes” has the right to other organization (For example, there is weakness to view the record in real time because of Company Service Provider) Weakness on AML/CFT Inspection and Supervision in Companies’ annual report. According to on-site inspection, it was found that there is no perfect record keeping in the firms. Limited awareness of AML/CFT in firms. Few AML/CFT inspection and supervision on NGO/INGOs | <ul style="list-style-type: none"> Directorate of Investment and Company Administration has Electronic Registration System with respect to Company Address, Share Ownership, and the authority of company Having legal provision to keep records in corporate entities The businesses are fully compliance to Myanmar Company Law and they are submitting their respective constitutions, financial reports and Board of Director meeting’s resolution. |

5. ASSESSING ML THREATS

16. In ML the threat derives from the pool of illegally acquired assets that need to be laundering. Thus, in an ML risk assessment understanding threat is largely related to analyzing the nature and scale of the potential demand for money laundering, which in turn means gaining an understanding of and generating indicators for the proceeds of crime that are generated in or brought to a jurisdiction. Threats are considered in the legal person's risk assessment. Combining threats with vulnerabilities results in the level of likelihood or inherent risk.

17. The threats assessment was conducted by using the information obtained from the workshops that include experts from relevant departments and based on the survey results and of the 2018 National Risk Assessment. The committee distributed the survey questionnaires to domestic and foreign experts, including government sectors such as the Financial Intelligence Unit, Bureau of Special Investigation, Internal Revenue Department, Financial Regulatory Department, Legal Advice Department, Department of Trade, Central Bank of Myanmar, Anti-Corruption Commission, Directorate of Investment and Company Administration, and private sectors such as Union of Myanmar Federation of Chambers of Commerce and Industry, Myanmar Institute of Certified Public Accountants, and 112 responses were collected.

18. According to the National Risk Assessment report, the predicate offences such as Tax & excise evasion, Environmental crime, Corruption and bribery, Other proceed generating crime, Counterfeiting and piracy of products, Illicit trafficking in narcotic drugs and psychotropic substances and fraud were assessed as high-risk crimes. In the legal person assessment process, the POC amounts were calculated using the current US dollar price in 2022.

5.1 OVERVIEW OF THREAT LIKELIHOOD

19. There is a higher likelihood of **ML threats** in legal persons due to the ML attempted is assessed as higher. The likelihood of ML attempted is high because the level of abused of legal persons is assessed higher.

5.1.1 Abuse of Legal Persons (1a)

20. the level of abused of legal persons is high due to: i) the level of existence of POCs which are generated from tax evasion (RAM-A), Illicit trafficking in narcotic drugs and psychotropic substances (RAM-B), corruption and bribery (RAM-C) and fraud (RAM-D) in Legal Persons are high, ii) and the level of abuse of products & services are high. The main reasons for this are assessed as follow;

- (a) High volume of POCs resulting from Tax & excise evasion, Illicit trafficking in narcotic drugs and psychotropic substances, Corruption and bribery and fraud according to National Risk Assessment Report.
- (b) Limited awareness of AML/CFT in Law Enforcement Agencies.
- (c) According to the assessment, the volume of POC that may exist legal persons is estimated to be between \$10 million to 100 million.
- (d) Little detections of crimes involving corporate entities.
- (e) Law enforcement agencies' weak investigation and prosecution on corporate entities and their original owners in money laundering investigations.
- (f) Having internationally connected activities in legal persons that may occur the abused of products and services.
- (g) Having large capital business operations in legal persons.
- (h) Limited awareness of AML/CFT in corporate entities and lack of self-assessments on ML/TF in corporate entities.

21. According to the assessment, the POCs which may existence in Legal Persons are likely to relevant from tax & excise evasion, Illicit trafficking in narcotic drugs and psychotropic substances, Corruption and bribery, and Fraud. The comparison of assessed amounts of POCs related to those crimes for legal persons and National Risk Assessment data are as follows;

| Crime Type | National Risk Assessment Data (2018) | Legal Persons Assessment Data (2022) |
|---|--|--------------------------------------|
| | \$ Band | \$ Band |
| Tax & excise evasion | \$1 billion to \$10 billion | \$10 million to 100 million |
| Illicit trafficking in narcotic drugs and psychotropic substances | \$1 billion to \$10 billion (lower quartile) | \$10 million to 100 million |
| Corruption and bribery | \$1 billion to \$10 billion | \$10 million to 100 million |
| Fraud | \$100 million to \$1 billion | \$1 million to 10 million |

Table 3: Volume of POC related to High-Risk Crimes

22. The table below provides a summary overview of the most relevant threats to legal persons and explains the main features of these threats.

| Threat | Relevance to legal persons |
|--|--|
| Tax & excise evasion | <ul style="list-style-type: none"> • Legal persons may allow for the creation of complex, non-transparent structures; Such structures could be used to disguise the BOs and the proceeds of tax crimes. • Little detection of crimes involving corporate entities. • High volume of POCs resulting from tax evasion according to National Risk Assessment Report. • Limited awareness of AML/CFT in Law Enforcement Agencies. • Limited awareness of AML/CFT in legal persons. • According to the assessment, the volume of POC that may exist legal persons is estimated to be between \$10 million to 100 million. • Tax evasion can be occurred by using accountants (experts) to reduce taxes. • Dealing with customers to reduce taxes. • Tax evasion can be occurred by concluding a sale contract at a lower value than the original value. • Tax evasion can be occurred by using fault Declaring when importing/ exporting goods to reduce tax. |
| Illicit trafficking in narcotic drugs and psychotropic substances | <ul style="list-style-type: none"> • Legal persons used as asset holdings may be used, for example, to conceal the BO of movable and immovable properties acquired with the proceeds of drug trafficking and organized crime; • Front companies may be created to disguise illegal activity (illicit funds disguised as genuine); • Mixed use the POCs in legal business activities of company organizations. • Using money obtained from drugs to open accounts in the name of company participants instead of company accounts. • Little detection of crimes involving corporate entities. • Limited awareness of AML/CFT in Law Enforcement Agencies. • According to the assessment, the volume of POC that may exist legal persons is estimated to be between \$10 million to 100 million per year. |
| Corruption and bribery | <ul style="list-style-type: none"> • Corruption and bribery are frequently associated with legal persons and associations. • Making bribes through companies owned by relatives and family members related to the corrupt person and third party. • Corruption by providing information legal persons and obtaining money/properties. • Making bribes through a company owned by a corrupt person. • Giving gifts to authorized persons and obtaining authorizations by legal persons. • Little detection of crimes involving corporate entities. • High number of POCs resulting from corruption, according to the National |

| | |
|--------------|---|
| | <p>Risk Assessment Report.</p> <ul style="list-style-type: none"> • Limited awareness of AML/CFT in Law Enforcement Agencies. • Limited awareness of AML/CFT in legal persons. • According to the assessment, the volume of POC that may exist legal persons is estimated to be between \$10 million to 100 million per year. |
| Fraud | <ul style="list-style-type: none"> • Legal persons can be used to establish a degree of separation from fraudulent individuals • Transferring POCs obtained fraud to corporate entities and making them appear to be proceeds from legitimate businesses. • Little detection of crimes involving corporate entities. • High number of POCs resulting from fraud, according to the National Risk Assessment Report. • Limited awareness of AML/CFT in Law Enforcement Agencies. • Limited awareness of AML/CFT in Regulators. • Using subsidiary companies step by step to hide the beneficial owner for fraudulent purposes. • According to the assessment, the volume of POC that may exist legal persons is estimated to be between \$1 million to 10 million per year. |

Table 4: Summary overview of the most relevant threats to legal persons

23. The Department of Internal Revenue issued Public Ruling No. (3/2022) on 16-11-2022, which includes procedures related to tax avoidance, paying less tax, misrepresentation of tax information, and tax evasion. The Public Ruling states that individuals who commit tax evasion will be prosecuted under the Tax Administration Law and may also be prosecuted under the Anti-Money Laundering Law. The Public Ruling was published in national newspapers, and information was posted on the Internal Revenue Department's website. Taxpayers and related organizations were also invited to attend awareness briefings through the tax offices in all regions/states. Starting from 1-1-2023, if there is no compliance with the provisions of this Public Ruling, action will be taken in accordance with the existing tax laws. Further action will also be taken according to the anti-money laundering law. Therefore, it is expected that the risk of money laundering related to tax evasion and tax-related crimes will be reduced in the future.

24. The UMFCCI (Private Sector) has formed the Responsible Business and Resource Development Committee, comprising various stakeholders such as the Myanmar Real Estate Services Associations (Mon State, Bago Region, Mandalay Region Real Estate Services, etc.), Myanmar Gems and Jewellery Entrepreneurs Association, Moegoke, Mandalay, Hpakan, Myitkyina, and Sagaing Gems and Jewellery Associations,

Federation of Myanmar Gold Entrepreneurs Association, Mon and Mandalay gold Associations to collaborate deeply in Anti-Money Laundering and Anti-Corruption measures. Consequently, the understanding and compliance of legal persons have improved significantly. To prevent and reduce AML through illicit trade and corruption, the government has issued licenses for exporting and implemented a QR Code System for Cargo Vehicles. This way, customs and border agencies can monitor and investigate vehicles without any person-to-person contact. Exporters are operating under the regulations.

5.1.2 Outbound Flow of POCs

25. According to the committee's assessment, POCs generated from drugs and corruption can flow mostly abroad through Legal Persons. Committee assessed that the POCs generated from illicit narcotic drug trafficking and corruptions in Legal Persons may flow to the abroad by commingled with the legitimate funds of Legal Person, by abusing of products and services, by abusing payment and trading of Legal Persons. Committee assessed that the Thailand and China may be destination countries for those POCs of outbound flow.

5.1.3 Inbound Flow of POCs

26. According to the committee's assessment, foreign POCs enter into Legal Persons may be generated from drugs trafficking, corruption and frauds. It was evaluated that foreign POCs may enter into Legal Persons through by trading and payment channels. It has been assessed that POCs entering into domestic Legal Persons from abroad are most likely from Thailand and China.

6. ASSESSING ML VULNERABILITIES

27. The fundamental requirement of Recommendation 24 is that countries should ensure that there is adequate, accurate and timely information available on the beneficial ownership of all legal persons, and that their authorities can access this information in a timely manner. The adequate, accurate and up-to-date information on Legal Persons that can be obtained or accessed in a timely fashion by competent authorities can reduce the ML risks.

28. The vulnerabilities assessment was conducted by using the information obtained from the workshops containing experts from relevant departments and based on the survey results and of the 2018 National Risk Assessment. The committee distributed the survey questionnaires to domestic and foreign experts,

including government sectors such as the Financial Intelligence Unit, Bureau of Special Investigation, Internal Revenue Department, Financial Regulatory Department, Legal Advice Department, Department of Trade, Central Bank of Myanmar, Anti-Corruption Commission, Directorate of Investment and Company Administration, and private sectors such as Union of Myanmar Federation of Chambers of Commerce and Industry, Myanmar Institute of Certified Public Accountants, and 106 responses were collected.

29. In assessing the level of vulnerabilities likelihood, high-level ML risk events, their contributing risk events and risk analysis modules are summarized in this section as below;

| High-Level Risk Event Likelihood | Contributing Risk Event Likelihood | Risk Analysis Modules |
|----------------------------------|------------------------------------|--|
| Perpetrator not Caught | ML not being detected | Transparency |
| | | Supervision |
| | | Transaction Reporting Volume & Quality |
| | ML not being investigated | Record Keeping |

Table 5: summary matrix

6.1 OVERVIEW OF VULNERABILITIES LIKELIHOOD

30. There is a higher likelihood of vulnerabilities due to the higher likelihood of perpetrator not being caught. The higher likelihood of perpetrators of ML not being caught is informed jointly by the higher likelihood of ML events will not be detected and will not being investigated by the authorities related to legal persons accordingly. This is because the transparency, supervision, transaction reporting volume and record keeping are assessed as very poor. The levels of Legal Persons and NGOs/INGOs vulnerabilities driving by risk analysis module are as follows;

| Types | Risk Analysis Module | | | |
|---|-------------------------------|-------------|--|----------------|
| | Transparency of Legal Persons | Supervision | Transaction Reporting Volume & Quality | Record Keeping |
| Legal Persons (Companies & Association) | Medium | Medium | Higher | Higher |
| NGOs/INGOs | Higher | Higher | Higher | Higher |
| Total Risk Score | Higher | Higher | Higher | Higher |

Table 6: Level of risk analysis module

6.2 ML Not Being Detected (2a)

31. There is a higher likelihood ML events will not be detected by the authorities regarding legal persons due to the transparency, supervision and transaction reporting volume & quality are assessed as poor.

6.2.1 Transparency of Legal Persons (RAM-F)

32. There is a higher likelihood ML events will not be detected due to poor transparency of firms. The main factors driving the likelihood score are:

- (a) Having complex corporates structures.
- (b) Operating of foreign subsidiaries in local (about 34 companies).
- (c) There are large numbers of companies established either in the name of foreigner or name of foreign company (about 406 companies)
- (d) Shell companies are found in crime events.
- (e) Companies with faked registration, faked name and faked national identity number were found.
- (f) Establishment of companies which name is similar to the name of foreign companies.
- (g) Need to increase verification procedures on submitted reference documents for company registration.
- (h) Limitation of access to information regarding to the changes of beneficiary owner of NGO/INGO.
- (i) Provisions regarding criminal liability of companies and their original owners are not expressly provided in existing laws other than the Anti-Money Laundering Law.

33. The main factors reducing the likelihood score are assessed as follow;

- (a) Easily access on the information of registered companies such as the name of owner, the name of shareholder in the website of the Directorate of Investment and Company Administration www.mico.dica.gov.mm.
- (b) By law, only “Share Holder” is allowed but not “Nominee Share”
- (c) There in no directives that “Nominee Directors are not allowed and the participants of the company are not allowed as Nominee Share Holder”
- (d) According to article 113 of Myanmar Companies Law (2017), if the company’s share capital changes, it must be submitted to the registrar within 21 days

- (e) It must be informed if the information of company's beneficiary owner is changed.
- (f) According to the article 7 and 17 of the Law on Registration of Organization (2022), it is defined to disclose the information of beneficiary owner in NGO/INGO registration.

6.2.1.1 Companies

34. According to the Myanmar Companies Law (2017), the Directorate of Investment and Company Administration serve as the company registration office and used the online registration system "Myanmar Companies Online – MyCO" since 1 August 2018. Law allowed the five types of companies i) Private Company Limited by Shares, ii) Public Company Limited by Shares, iii) Public Company Limited by Guarantee, iv) Public Company Limited by Guarantee (Association) and v) Oversea Corporation. According to the data from 1-10-2021 to 30-9-2022 of Directorate and Investment of Company Administration, the registered Companies are as follow;

| No | Types of Companies | Numbers |
|----|---|--------------|
| 1 | Private Company Limited by Shares | 11865 |
| 2 | Public Company Limited by Shares | 6 |
| 3 | Public Company Limited by Guarantee | 15 |
| 4 | Public Company Limited by Guarantee (Association) | 8 |
| 5 | Oversea Corporation | 34 |
| | Total | 11928 |

Table – 7: List of Companies

35. According to the Myanmar Company Law (2017), the Directorate of Investment and Company Administration Department (DICA) has responsible for registration of companies and association. Companies can be registered via the webpage of DICA (www.myco.dica.gov.mm) and can open "MyCo Account". The information of shareholder name, address and company information can be easily found in that webpage. According to the Company Law, conducting nominee shareholder arrangements is not allowed. Associations such as real estate associations and accounting firms fall into the category of "Public Company Limited by Guarantee (Association)". DICA issued directives No. 7.2023 that "Nominee Directors are not allowed and the participants of the company are not allowed as Nominee Share Holder" on 17-1-2023.

36. According to the Myanmar Companies Law, the persons registered in the company participant registration, which has been submitted to the company registrar and kept in the company's records, shall be considered beneficial owners. The beneficial ownership information of companies can be accessed by anyone for a fee under Section 421 of the Myanmar Companies Law. Furthermore, Article 113 of the Myanmar Companies Law (2017) stipulates that if there are any changes to the company's share capital, it must be submitted to the registrar within 21 days..

37. Among the five (5) types of companies in Myanmar, Private Company Limited by Shares is the most registered companies and Public Company Limited by Shares is the fewest. In terms of geographical dimension, Private Company Limited by Shares are the most located in Yangon and Mandalay, and the third most located in Nay Pyi Taw.

| State/Region | Private Ltd by Share | Public Ltd by Share | Ltd by Guarantee | Association | Oversea Corporation | Total |
|-------------------|----------------------|---------------------|------------------|-------------|---------------------|--------------|
| Yangon Region | 6120 | 6 | 13 | 1 | 28 | 6168 |
| Nay Pyi Taw | 502 | - | - | 2 | - | 504 |
| Mandalay Region | 1337 | - | - | 2 | 2 | 1341 |
| Ayawaddy Region | 216 | - | - | - | - | 216 |
| Bago Region | 241 | - | - | - | - | 241 |
| Sagaing Region | 218 | - | - | - | 1 | 219 |
| Taninthari Region | 212 | - | - | - | - | 212 |
| Magwe Region | 215 | - | - | 1 | - | 216 |
| Kachin State | 284 | - | - | 2 | - | 286 |
| Kaya State | 31 | - | - | - | - | 31 |
| Kayin State | 247 | - | - | - | - | 247 |
| Chin State | 180 | - | - | - | - | 180 |
| Mon State | 271 | - | - | - | - | 271 |
| Shan State | 276 | - | - | 2 | - | 278 |
| Rakhine State | 313 | - | - | - | 1 | 314 |
| Total | 10663 | 6 | 13 | 10 | 32 | 10724 |

Table – 8: Number of companies by geographically

38. From October 1st, 2021 to September 30th, 2022, among the companies that filed for registration in the Myanmar Companies Online - MyCO system, there were 10,711 companies complying with the Myanmar Companies Law and 1,217 companies that were suspended/cancelled by the registrar for failing to comply with the law, thus a total of 1,1928 companies were listed during that year.

Although the border regions of Kachin State and Shan States have an average of over 200 companies each, they are unable to operate properly due to armed conflict, resulting in a low potential for money laundering. However, due to the absence of proper AML/CFT supervision in those areas, the probability of misuse is assessed to be between 25% to 50%. Yangon and Mandalay have the largest number of companies and estimated the possibility of misuse of companies will be high due to the having complex structures, lack of AML/CFT supervision, lack of knowledge about money laundering. The potential misuse of companies by geographic region is as follows;

| | Propabilities of Abuse(-%) | | | | | Total Probability of Abuse |
|-------------------|----------------------------|------------------------|---------------------|-----------------------|------------------------|----------------------------|
| Yangon Region | Vast Majority (>70-85%) | Few (≥10-25%) | Few (≥10-25%) | Almost none (<10%) | Some (>25-50%) | Vast Majority (>70-85%) |
| Nay Pyi Taw | Some (>25-50%) | - | | Almost none (<10%) | - | Some (>25-50%) |
| Mandalay Region | Majority (>50-70%) | - | | Almost none (<10%) | Almost none (<10%) | Majority (>50-70%) |
| Ayawaddy Region | Some (>25-50%) | - | | - | - | Some (>25-50%) |
| Bago Region | Some (>25-50%) | - | | - | - | Some (>25-50%) |
| Sagaing Region | Some (>25-50%) | - | | - | Almost none (<10%) | Some (>25-50%) |
| Taninthari Region | Some (>25-50%) | - | | - | - | Some (>25-50%) |
| Magwe Region | Some (>25-50%) | - | | Almost none (<10%) | - | Some (>25-50%) |
| Kachin State | Some (>25-50%) | - | | Almost none (<10%) | - | Some (>25-50%) |
| Kaya State | Almost none (<10%) | - | | - | - | Almost none (<10%) |
| Kayin State | Some (>25-50%) | - | | - | - | Some (>25-50%) |
| Chin State | Almost none (<10%) | - | | - | - | Almost none (<10%) |
| Mon State | Some (<10%) | - | | - | - | Some (<10%) |
| Shan State | Some (>25-50%) | - | | Almost none (<10%) | - | Some (<10%) |
| Rakhine State | Some (>25-50%) | - | | - | Almost none (<10%) | Some (<10%) |
| | Private Ltd by Share | Public Ltd by Share | Ltd by Guarantee | Association | Oversea Corporation | |

Table – 6: The potential misuse of companies by geographic region

39. According to the registration list of the DICA, there are 34 overseas corporations and most of which are located in Yangon. Currently, no authority is responsible for monitoring and assessing the quality of assistance received from other countries in response to requests for basic information and verification of beneficial owners living abroad. However, the DICA has issued a notice to "communicate with the exchange of basic and beneficial owners information on company organizations " and is planning to act as the responsible department. Therefore, in the future, it is expected that the risks related to beneficial owners living abroad will be reduced.

6.2.1.2 Associations & Firms

40. DICA is acting as registration department for companies & associations and the General Administration Department is acting as a registration department for INGOs and the company address, share ownership information and company's assets are recorded in registration.

41. According to the amendment of the Law Relating to Registration of Associations (2022), the General Administration Department (GAD) is responsible for the registration of NGOs and INGOs. The GAD records and keeps data on associations such as their constitution, members, assets, and funds. The list of registered NGOs and INGOs for 2022 is as follows;

| No. | Authorities for Registration | Registered Lists | |
|--------------|---|------------------|------------|
| | | NGO | INGO |
| 1 | Union Level registration authority | 899 | 101 |
| 2 | State and Division registration authority | 786 | - |
| 3 | Nay Pyi Taw Council registration authority | 12 | - |
| 4 | Autonomous State or Regional registration authority | 10 | - |
| 5 | District registration authority | 599 | - |
| 6 | Township Level registration authority | 4781 | - |
| Total | | 7087 | 101 |

Table -7 : List of registered NGOs & INGOs

6.2.2 Supervision (RAM-G)

42. Likelihood level relating to the abuse of supervision on legal persons is defined as "Higher" due to the following main factors increasing score;

- (a) Companies can easily register through Online.

- (b) Limitation in AML/CFT supervision and off-site monitoring & on-site inspection by Supervisory Authorities on legal persons and NGOs/INGOs.
 - (c) Limitation in AML/CFT supervision and off-site monitoring & on-site inspection by Supervisory Authorities association.
 - (d) There is no on ground inspection regarding to the data on registered.
 - (e) Weakness in Domestic cooperation.
 - (f) Weakness on investigation of correctness on identity, address and documents during company registration.
 - (g) In company registration, the fees charged by the state are just a few and so many companies can easily register.
43. The main factors reducing the likelihood score are assessed as follow;
- (a) Directorate of Investment and Company Administration is acting as company registration department
 - (b) General Administration Department acts as registry for NGO/INGO (Division, State, Province, Township, Self- Administered Region, Nay Pyi Taw etc., regionally).
 - (c) There is directive for NGO/INGO to avoid being abused on money laundering and terrorist financing by GAD.
 - (d) There is DNFBPs Supervisory Authority.
 - (e) There is a Consolidate Inter-agency Supervisory Committee including member from relevant competent authorities.
 - (f) Competent Authorities have on-site inspection procedures.
44. Real-Estate Associations and Accounting Associations have to register as Public Company Limited by Guarantee in DICA. In Myanmar, the AMLCB designated the Lawyer Affairs and Inspectorate Department of Office of the Union Judiciary Supervision of the Union Supreme Court, General Administration Department, Myanma Gems Enterprise and Myanmar Accountancy Council as competent authorities for each DNFBPs by issuing order number (1/2022) dated on 14th March 2022. The reporting entities and its Competent Authorities are as follow;

| Reporting Entities | Competent Authorities |
|--|--|
| <ul style="list-style-type: none"> • Lawyers • Notaries • Legal Professions | Lawyer Affairs and Inspectorate Department, (Office of the Union Judiciary Supervision, Union Supreme Court) |
| <ul style="list-style-type: none"> • Real-estate Agencies • Precious Metal and Stone Dealers | General Administration Department, Ministry of Home Affairs |
| <ul style="list-style-type: none"> • Gems Dealers | Myanmar Gems Enterprise |
| <ul style="list-style-type: none"> • Accountants | Myanmar Accountancy Council, Office Of the Auditor General of the Union |

Table 8: Reporting entities and its Competant Authorities

45. The Anti-money laundering and Countering the Financing of Terrorism Working Group has formed “Consolated Inter-Agency Supervisory Committee (CIASC)” by order No. (2/2022) in order to supervise and to conduct AML/CFT off-site monitoring and on-site examination for DNFBPs. CIASC provided the on-site/off-site supervision trainings to competent authorities for DNFBPs and supporting the on-site examinations. The competent authorities for DNFBPs have supervision manuals and plans to conduct off-site monitoring and on-site examinations. As competent authorities, in November 2022, the on-site examinations were only carried out in Yangon, Mandalay and Nay Pyi Taw. According to on-site examinations performed by competent authorities, it was found that there is no risk management policy and procedures to mitigate risks, failure to assign a Compliance Officer, inadequate record keeping, lack of AML/CFT awareness in employees and weakness in STRs reporting, and written warnings were given to reporting entities which have weakness in AML/CFT compliances.

46. On 9-11-2022, the General Administration Department issued a Directive for Real-estate Agents and a Directive for Precious Metal (Gold) Dealers and conducted registration and supervision activities. According to the Onsite Inspection conducted by the General Administration Department in November 2022, three (3) jewelry (gold) shops were issued written warnings for identified weaknesses in AML/CFT compliance. On 19-12-2017, General Administration Department issued “Notification for associations to prevent misuse of money laundering and terrorism financing” by instruction No. 1/2017 in order to prevent NGO, INGOs from being misused.

6.2.3 Transaction Reporting Volume & Quality (RAM-H)

47. Likelihood level relating to the abuse of transaction reporting volume and quality of legal persons is assessed as higher due to the following main factors increasing score;

- (a) STRs related to legal persons received by FIU is very low.
- (b) STRs related to associations received by FIU is very low.
- (c) There is a limited awareness among firms regarding STRs reporting.
- (d) There is no self ML/TF Risk Assessment in firms.
- (e) Weakness of verification measures regarding the beneficial owner in carrying out the customer due diligence by the reporting organizations.

48. Factors reducing for this likelihood score are i) conducting AML/CFT awareness activities by Supervisory Authorities ii) conducting AML/CFT awareness to businesses and associations by FIU. According to DICA Instruction No.136/2021, a company must open a corporate bank account in the name of the company. Operating a business or transacting a large amount of money (whether domestic or international) using a private/personal account is not permitted. The Central Bank of Myanmar, the Working Committee on Ensuring the Smooth Flow of Trade and Goods, private banks, and private businesses are working together to increase awareness among companies and to facilitate the conversion from private/personal accounts to corporate accounts.

49. The status of receiving Suspicious Transaction Reports related to Legal Persons by Financial Intelligence Unit (FIU) in 2022 are as follows;

| No. | Years | CTRs | | | PTRs | | | TTRs | | | Other | | |
|-----|-------|----------|----------|---------------|----------|----------|---------------|----------|----------|---------------|----------|----------|---------------|
| | | Received | Analysis | Dissemination | Received | Analysis | Dissemination | Received | Analysis | Dissemination | Received | Analysis | Dissemination |
| 1 | 2020 | 43 | 43 | 6 | - | - | - | - | - | - | - | - | - |
| 2 | 2021 | 34 | 34 | 13 | - | - | - | - | - | - | - | - | - |
| 3 | 2022 | 39 | 39 | 9 | - | - | - | - | - | - | - | - | - |

Table-9: Volume of STRs related to legal persons.

6.3 ML not investigated (2b)

50. Due to the weak record keeping of legal persons, the likelihood level of not being able to investigate money laundering is assessed as high.

6.3.1 Record Keeping (RAM-I)

51. Regarding the record keeping, the possibility of misuse of legal persons has been assessed as "Higher". The main factor increasing score are as follows;

- (a) Keeping record regarding to the “Notice of Location of Company Registers and Indexes” has the right to other organization (For example, there is weakness to view the record in real time because of Company Service Provider)
- (b) Weakness on AML/CFT Inspection and Supervision in Companies’ annual report.
- (c) According to on-site inspection, it was found that there is no perfect record keeping in the firms.
- (d) Few AML/CFT inspection and supervision on NGO/INGOs
- (e) Limited awareness of AML/CFT in businesses.

52. Factors reducing for this likelihood score are i) Directorate of Investment and Company Administration has Electronic Registration System with respect to Company Address, Share Ownership, and the authority of company and ii) having legal provision to keep records for NOG, INGOs and legal persons. The business are fully compliance to Myanmar Company Law and they are submitting their respective constutions, financial reports and Board of Director meeting’s resolution.

7. ASSESSING CONSEQUENCES

53. In assessing the money laundering (ML) consequences related to legal persons, the Committee evaluated the long-term consequences in social, economic, political, and geographic dimensions. The Committee gathered information on the consequences through perception surveys disseminated to various agencies including the Financial Intelligence Unit (FIU), Bureau of Special Investigation (BSI), Internal Revenue Department (IRD), Financial Regulation Department (FRD), Legal Advice Department, Department of Trade, Central Bank of Myanmar, Anti-Corruption Commission, Directorate of Investment and Company

Administration (DICA), Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI), Myanmar Institute of Certified Public Accountants (MICPA), and expertise from domestic and foreign sources. A total of 115 responses were collected.

54. The assessment framework analyzes and estimates ML consequence separately for short-term consequence and long-term consequence. During workshops the Committee provided findings about threat and vulnerability for each risk event and, using pre-determined measurement scales, and made judgments about the severity of the consequence of each risk event to the jurisdiction's stated AML objectives.

7.1 OVERVIEW OF ML CONSEQUENCES

55. The Committee assessed the overall consequences of money laundering for legal persons as "Major", short-term consequences of money laundering as "Moderate" and the long-term consequences as "Major".

7.2 Short Term Consequences

56. According to the National Risk Assessment, the overall number of transactions related to money laundering (ML) was estimated to be between \$10 billion and \$50 billion, and the number of ML-related transactions involving legal persons was assessed to be between \$1 billion and \$10 billion. The Committee determined that after criminals completed their laundering, the processed assets ended up primarily as cash (30%), followed by financial assets (25%), physical assets (25%), and assets transferred out of Myanmar (10%). The Committee judged that the overall short-term ML consequence in legal persons is moderate, corresponding to an annual volume of ML-related transactions of \$1 billion to \$10 billion.

7.3 Long Term Consequences

57. The overall long-term ML consequence for Legal Persons as Major. The Committee considered the economic consequences of ML to be the most important (e.g., of highest priority), followed by political consequences and social consequences, respectively. ML consequences were assessed as likely to manifest

themselves mainly in the form of high-level risk events and contributing risk events. The overall score is derived from the geometric mean of the aggregate scores of the high-level risk events - described in the table below;

| Overall ML Consequence for High-Level Risk Events | | |
|---|-----|----------|
| Over all ML Consequences | 4.1 | Major |
| (1) ML being attempted | 4.0 | Moderate |
| (2) If ML attempted, perpetrator not caught | 4.1 | Major |

Table – 10 Overall ML Consequence for High-Level Risk Events

58. The scores of the four high-level risk events are, in turn, derived from the scores of contributing risk events. The consequences scores for all contributing risk events are summarized in the table below;

| Overall Money Laundering Consequences driven by Contributing risk Events | | |
|---|-----|----------|
| OVERALL MONEY LAUNDERING CONSEQUENCE | 4.1 | Major |
| (1) ML being attempted | 4.0 | Moderate |
| (1.a) Abuse of Legal Persons | 4.0 | Moderate |
| (2) If ML attempted, perpetrator not caught | 4.1 | Major |
| (2.a) If ML is attempted, ML event(s) not being detected by the authorities | 4.1 | Major |
| (2.b) If ML is detected, ML event(s) not being investigated adequately by the authorities | 4.0 | Moderate |

Table – 11 Overall Money Laundering Consequences driven by Contributing risk Events

7.3.1 ML-Social Consequences

59. The overall social consequence from ML risk events related to Legal Persons to be moderate (4.0). According to the assessment, the most important manifestations of social consequences are i) Increased crime ii) Physical harm to members of society. The severity of social consequences of individual risk events is described in the table below;

| Risk Event | Social |
|---|--------|
| Overall ML Social Consequence | 4.0 |
| (1.a) Abuse of Legal Persons | 4.0 |
| (2.a) If ML is attempted, ML event(s) not being detected by the authorities | 4.0 |
| (2.b) If ML is detected, ML event(s) not being investigated adequately by the authorities | 4.0 |

Table – 12: Social Consequence

7.3.2 ML-Economic Consequences

60. The overall economic consequence from ML risk events related to Legal Persons to be Major (4.2). According to the assessment, the most important manifestations of economic consequences are i) Illegal business contaminating legal business activity ii) Difficulty for banks or other institutions to operate internationally. The severity of economic consequences of individual risk events is described in the table below;

| Risk Events | Economic |
|---|----------|
| Overall ML Economic Consequence | 4.2 |
| (1.a) Abuse of Legal Persons | 4.2 |
| (2.a) If ML is attempted, ML event(s) not being detected by the authorities | 4.0 |
| (2.b) If ML is detected, ML event(s) not being investigated adequately by the authorities | 4.1 |

Table – 13: Economic Consequence

7.3.3 ML-Political Consequences

61. The overall political consequence from ML risk events related to Legal Person is assessed as Major (4.1). According to the assessment, the most important manifestations of economic consequences are i) ML-related sanctions imposed ii) Lower public sector revenues iii) Stakeholder concerns. The severity of political consequences of individual risk events is described in the table below;

| Risk Events | Political |
|---|-----------|
| Overall ML Political Consequence | 4.1 |
| (1.a) Abuse of Legal Persons | 4.1 |
| (2.a) If ML is attempted, ML event(s) not being detected by the authorities | 4.0 |
| (2.b) If ML is detected, ML event(s) not being investigated adequately by the authorities | 4.1 |

Table -14 : Political Consequence

7.3.4 ML-Geographical Consequences

62. The overall political consequence from ML risk events related to Legal Persons is assessed as Major (4.1). Committee assessed that ML consequences are mainly domestic / extend beyond the borders of Myanmar to its neighboring countries and further afield to the extent that laundering in Myanmar involves foreign POC from neighboring countries. The scope of geographic consequences of individual risk events is described in the table below;

| Risk Events | Geographic |
|---|------------|
| Overall ML Geographic Consequence | 4.1 |
| (1.a) Abuse of Legal Persons | 4.1 |
| (2.a) If ML is attempted, ML event(s) not being detected by the authorities | 4.0 |
| (2.b) If ML is detected, ML event(s) not being investigated adequately by the authorities | 4.0 |

Table – 15: Geographic Consequence

8. CONCLUSIONS

63. This Legal Person risk assessment report is a starting point for reducing the money laundering risks related to legal persons. This ML risk assessment is the first time for legal persons in Myanmar. It is also a milestone of cooperation for all organizations in AML/CFT regime.

64. This Legal Person Risk Assessment report would be useful for authorities to monitor and mitigate ML risks in relation to legal persons in the future.

Abbreviations Definitions

| | |
|-----------------|--|
| AML/CFT | Anti-Money Laundering and Countering the Financing of Terrorism |
| AMLCB | Anti-Money Laundering Central Body |
| APG | Asia-Pacific Group on Money Laundering |
| ACC | Anti-Corruption Commission |
| BO | Beneficial Owner |
| BSI | Beau of Special Investigation |
| CBM | Central Bank of Myanmar |
| DICA | Directorate of Investment and Companies Administration |
| DOT | Department of Trade |
| FATF | Financial Action Task Force |
| FIU | Financial Intelligence Unit |
| FRD | Financial Regulation Department |
| GAD | General Administration Department |
| IRD | Internal Revenue Department |
| LP | Legal Persons |
| NGO/INGO | Non-government Organization/ International Non-government Organization |
| NRA | National Risk Assessment |
| MOHA | Ministry of Home Affairs |
| RAM | Risk Analysis Module |
| UMFCCI | Union of Myanmar Federation of Chambers of Commerce and Industry |
| MICPA | Myanmar Institute of Certified Public Accountants |
| | |