

'Harvesting' nearly every drop

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stations and other heat-generating plants.

"The world is full of ideas waiting to be leveraged on. We cannot confine our R&D within Singapore and expect great results. Over the years, we've tracked technological developments overseas, networked with other governments, water companies and so on. Now we need to take things a step further

and encourage greater collaboration with international research institutes.

"I am convinced this is the best way to gather the best ideas or technologies and the best persons for the job," said Mr Tan.

Some of the institutions the PUB works with are the Centre for Water Research in the National University of Singapore; the Environmental Engineering Research Centre at the Nanyang Technological University; the

University of California, Berkeley and Stanford University in the US; as well as the University of Western Australia's Centre for Water Research.

As a young engineer, Mr Tan was in the team that drew up Singapore's first water masterplan in 1972 that already included the possibility of reclaiming water, and witnessed PUB's first foray in 1974 to build a pilot plant to turn used water into potable water — the precursor of today's NEWater factories.

"The costs were astronom-

ical and the membranes were unreliable, so the idea was shelved," he said.

The project was revived in 1998 with the advent of the necessary technology, at which time Mr Tan was the Permanent Secretary at what was then called the Environment Ministry. By May 2000, Singapore had its first NEWater plant in Bedok.

Today, Singapore has three NEWater plants. A fourth NEWater plant is being built, which when completed will provide a total of 60 million gallons daily.

A CASE OF MISPLACED ENERGIES?

A review of existing laws on money laundering is needed, especially in post-911 climate

THOMAS KOSHY

THE tale is told of how Al Capone used laundromats as a front to recycle dirty money earned through a panoply of nefarious activities. Hence, it is said, the term "money laundering" was born.

Even if etymologically apocryphal, this colourful anecdote reminds us that money laundering is as old as crime itself. First a crime, called the "predicate offence", is committed and then the proceeds are laundered. In the world of money laundering, evil is the root of all money.

In his tour de force *The Laundrymen*, leading expert Jeffrey Robinson describes money laundering as "the world's third largest business right behind foreign exchange and oil". Globally, the amount of money laundered each year is surmised to be in the region of US\$1 trillion (\$1.58 trillion).

The 1970s saw governments around the world, led by the United States, starting to put in place Anti-Money Laundering (AML) regulations. Post-911, these were complemented by regulations on Countering the Financing of Terrorism (CFT).

The Monetary Authority of Singapore (MAS) has recently released proposed revisions to its Notice 626 which sets out AML guidelines for banks in Singapore. The proposals extend the guidelines to cover CFT as well. First issued in 2000, the guidelines prescribe procedures of due diligence for banks to put in place so that suspicious transactions may be detected. In appropriate cases, banks are obliged to alert the authorities. All this has led to escalation of compliance costs.

Banks may, therefore, welcome the MAS proposal to allow simplified due diligence procedures in appropriate circumstances. On the other hand, another proposed change to the MAS guidelines goes in the opposite direction. It recommends enhanced due diligence for bank customers who are "Politically Exposed Persons" (PEPs), their families and their close associates. PEPs are defined as persons entrusted with prominent public functions in a foreign country.

The logic is simple — by virtue of their position, PEPs may be more vulnerable to corruption. One wonders, though, whether this justifies the cost of screening all customers

to determine whether or not they are PEPs. If PEPs engage in money laundering, wouldn't it be reasonable to expect the existing AML regime to raise red flags, particularly if large sums were involved?

Indeed, it is difficult to see any benefit likely to arise from the enhanced due diligence measures for PEPs that would justify the added compliance costs involved.

In a 2005 paper reviewing the AML/CFT regime in Asia, Mr Rohan Bedi of PricewaterhouseCoopers and Mr Arabinda Acharya of the Institute of Defence and Strategic Studies noted that "there is a small yet growing school of thought that believes that governments have overreacted owing to global pressures and that crime must be fought directly ... This school of thought believes that the AML/CFT exer-

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we set you thinking

cise is a case of misplaced energies."

It should, however, be appreciated that the changes proposed by the MAS (including those relating to PEPs) have their roots in the recommendations of the Financial Action Task Force (FATF), an inter-governmental body set up under the auspices of the Organisation for Economic Co-operation and Development.

As a global financial centre and a member of the FATF, it would seem only right that Singapore should put into place the FATF recommendations. But the FATF should perhaps take a step back and consider whether AML regulations are becoming overly burdensome to an extent disproportionate with anticipated benefits. It would probably be more fruitful to ensure the enforcement of the prescribed AML regime rather than to add new layers to it.

And then there is the world of opportunity that the Internet has opened up to money launderers. Formulating new AML regulation for banks may be an exercise in futility while other avenues are available.

In their recent book *Chasing Dirty Money*, experts Peter Reuter and Edwin M Truman noted: "The fact is that, to date, an elaborate system of laws and regulations that affects the lives of millions of people and imposes several billion dollars in costs annually on the American public has been based, to a substantial degree, on untested assumptions

that do not look particularly plausible ... The system needs careful examination before any further expansion is actively contemplated."

The money laundering scene and the objectives of AML regulations appear to have morphed so much over the decades that it may be useful to reassess what they target to achieve. Given the volume of banking transactions, hoping that AML measures might lead to a discovery of crimes would be little more than wishful thinking. If the objective is to deter criminals from utilising the financial system, then there should be more publicity given to detection and reporting of suspicious transactions by banks. This way, criminals will be put on notice that transactions are being monitored.

On the other hand, publicity may be exactly what is not wanted. Recently, in America, the *New York Times* expose on the American Terrorist Finance Tracking Programme was immediately followed by acerbic criticism from the Bush Administration for letting the cat out of the bag.

Mr John Snow of the US Treasury Department said that the programme had been "incredibly valuable" in tracking terrorist financing. It may be that considering the current world political climate, the principal benefit of AML regulations is that they also serve CFT objectives. One terrorist scheme foiled could mean thousands of lives saved.

Mr Acharya believes that "(a) stringent AML/CFT regime is the need of the hour, given the importance of money for terrorist activities and given the fact that terror groups are getting into crime more and more to make and move money. Proceeds from crime would take the same route as money laundering in order for it to be used for terrorist acts". The focus of CFT measures is also clearer — to serve as an investigative tool to aid law enforcers. Not to keep terrorists out of the financial system, but to monitor their movements within it.

A detailed study of AML/CFT regulations should be done by the FATF to discern whether the limited resources available are being well deployed. When realistic objectives have been elucidated, energies may be focused so that tangible benefits can be harvested over time.

*The writer is a lawyer.
This is his personal comment.*

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