



United States Department of State

*Bureau for International Narcotics and Law  
Enforcement Affairs*

# **International Narcotics Control Strategy Report**

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Volume II

## **Money Laundering and Financial Crimes**

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## **Common Abbreviations**

AML	Anti-Money Laundering
APG	Asia/Pacific Group on Money Laundering
ARS	Alternative Remittance System
BCS	Bulk Cash Smuggling
CFATF	Caribbean Financial Action Task Force
CFT	Counter-terrorist Financing
CTR	Currency Transaction Report
DEA	Drug Enforcement Administration
DHS	Department of Homeland Security
DNFBP	Designated Non-Financial Businesses and Professions
DOJ	Department of Justice
DOS	Department of State
EAG	Eurasian Group to Combat Money Laundering and Terrorist Financing
EC	European Commission
ECOWAS	Economic Community of West African States
EO	Executive Order
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
EU	European Union
FATF	Financial Action Task Force
FBI	Federal Bureau of Investigation
FI	Financial Institution
FinCEN	Financial Crimes Enforcement Network
FIU	Financial Intelligence Unit
FSRB	FATF-Style Regional Body
GABAC	Action Group against Money Laundering in Central Africa
GAFISUD	Financial Action Task Force on Money Laundering in South America
GIABA	Inter-Governmental Action Group against Money Laundering
IBC	International Business Company
ICE	U.S. Immigration and Customs Enforcement

ICRG	International Cooperation Review Group
IMF	International Monetary Fund
INCSR	International Narcotics Control Strategy Report
INL	Bureau for International Narcotics and Law Enforcement Affairs
IRS	Internal Revenue Service
IRS-CID	Internal Revenue Service Criminal Investigative Division
MENAFATF	Middle East and North Africa Financial Action Task Force
MER	Mutual Evaluation Report
MLAT	Mutual Legal Assistance Treaty
MONEYVAL	Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
MOU	Memorandum of Understanding
NGO	Non-Governmental Organization
NPO	Non-Profit Organization
OAS	Organization of American States
OAS/CICAD	OAS Inter-American Drug Abuse Control Commission
OFAC	Office of Foreign Assets Control
OFC	Offshore Financial Center
OPDAT	Office of Overseas Prosecutorial Development, Assistance and Training
OTA	Office of Technical Assistance
SAR	Suspicious Activity Report
STR	Suspicious Transaction Report
TBML	Trade-Based Money Laundering
TTU	Trade Transparency Unit
UNCAC	United Nations Convention against Corruption
UNDrug Convention	1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances
UNGPMML	United Nations Global Programme against Money Laundering
UNODC	United Nations Office for Drug Control and Crime Prevention
UNSCR	United Nations Security Council Resolution
UNTOC	United Nations Convention against Transnational Organized Crime

## Common Abbreviations

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USAID	Agency for International Development
USG	United States Government





# **MONEY LAUNDERING AND FINANCIAL CRIMES**

## Legislative Basis for the INCSR

The Money Laundering and Financial Crimes section of the Department of State's International Narcotics Control Strategy Report (INCSR) has been prepared in accordance with section 489 of the Foreign Assistance Act of 1961, as amended (the "FAA," 22 U.S.C. § 2291). The 2011 INCSR is the 28th annual report prepared pursuant to the FAA.<sup>1</sup>

The FAA requires a report on the extent to which each country or entity that received assistance under chapter 8 of Part I of the Foreign Assistance Act in the past two fiscal years has "met the goals and objectives of the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances" (the "1988 UN Drug Convention") (FAA § 489(a)(1)(A)).

Although the Convention does not contain a list of goals and objectives, it does set forth a number of obligations that the parties agree to undertake. Generally speaking, it requires the parties to take legal measures to outlaw and punish all forms of illicit drug production, trafficking, and drug money laundering, to control chemicals that can be used to process illicit drugs, and to cooperate in international efforts to these ends. The statute lists action by foreign countries on the following issues as relevant to evaluating performance under the 1988 UN Drug Convention: illicit cultivation, production, distribution, sale, transport and financing, money laundering, asset seizure, extradition, mutual legal assistance, law enforcement and transit cooperation, precursor chemical control, and demand reduction.

In attempting to evaluate whether countries and certain entities are meeting the goals and objectives of the 1988 UN Drug Convention, the Department has used the best information it has available. The 2011 INCSR covers countries that range from major drug producing and drug-transit countries, where drug control is a critical element of national policy, to small countries or entities where drug issues or the capacity to deal with them are minimal. In addition to identifying countries as major sources of precursor chemicals used in the production of illicit narcotics, the INCSR is mandated to identify major money laundering countries (FAA §489(a)(3)(C)). The INCSR is also required to report findings on each country's adoption of laws and regulations to prevent narcotics-related money laundering (FAA §489(a)(7)(C)). This report is the section of the INCSR that reports on money laundering and financial crimes.

A major money laundering country is defined by statute as one "whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking" (FAA § 481(e)(7)). However, the complex nature of money laundering transactions today makes it difficult in many cases to distinguish the proceeds of narcotics trafficking from the proceeds of other serious crime. Moreover, financial institutions engaging in transactions involving significant amounts of proceeds of other serious crime are vulnerable to narcotics-related money laundering. This year's list of major money laundering countries recognizes this relationship by including all countries and other jurisdictions whose financial institutions engage in transactions involving significant amounts of proceeds from all serious crime. A government (e.g., the United States or the United Kingdom) can have comprehensive

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<sup>1</sup> The 2011 report on Money Laundering and Financial Crimes is a legislatively mandated section of the U.S. Department of State's annual International Narcotics Control Strategy Report. This 2011 report on Money Laundering and Financial Crimes is based upon the contributions of numerous U.S. Government agencies and international sources. Many agencies provided information on international training as well as technical and other assistance, including the following: Department of Homeland Security's Bureau of Immigration and Customs Enforcement; Department of Justice's Asset Forfeiture and Money Laundering Section (AFMLS) of Justice's Criminal Division, Drug Enforcement Administration, Federal Bureau of Investigation, and Office for Overseas Prosecutorial Development Assistance; and, Treasury's Financial Crimes Enforcement Network, Internal Revenue Service, Office of the Comptroller of the Currency, and Office of Technical Assistance. Also providing information on training and technical assistance are the independent regulatory agencies, Federal Deposit Insurance Corporation, and the Federal Reserve Board.

anti-money laundering laws on its books and conduct aggressive anti-money laundering enforcement efforts but still be classified a major money laundering jurisdiction. In some cases, this classification may simply or largely be a function of the size of the jurisdiction's economy. In such jurisdictions, quick, continuous and effective anti-money laundering efforts by the government are critical. The following countries/jurisdictions have been identified this year in this category:

## **Major Money Laundering Countries in 2010:**

**Afghanistan, Antigua and Barbuda, Australia, Austria, Bahamas, Belize, Bolivia, Brazil, British Virgin Islands, Burma, Cambodia, Canada, Cayman Islands, China, Colombia, Costa Rica, Cyprus, Dominican Republic, France, Germany, Greece, Guatemala, Guernsey, Guinea-Bissau, Haiti, Hong Kong, India, Indonesia, Iran, Iraq, Isle of Man, Israel, Italy, Japan, Jersey, Kenya, Latvia, Lebanon, Liechtenstein, Luxembourg, Macau, Mexico, Netherlands, Nigeria, Pakistan, Panama, Paraguay, Philippines, Russia, Singapore, Somalia, Spain, Switzerland, Taiwan, Thailand, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States, Uruguay, Venezuela, and Zimbabwe.**

The Money Laundering and Financial Crimes section provides further information on these countries/entities, as required by section 489 of the FAA.

## **Introduction**

The *2011 International Narcotics Control Strategy Report, Money Laundering and Financial Crimes*, highlights the most significant steps countries and jurisdictions categorized as "Major Money Laundering Countries" have taken to improve their anti-money laundering/counter-terrorist financing (AML/CFT) regimes. The report provides a snapshot of the AML/CFT legal infrastructure of each country or jurisdiction and its capacity to share information and cooperate in international investigations. For each country where they have been completed, the write-up also provides a link to the most recent mutual evaluation performed by or on behalf of the Financial Action Task Force (FATF) or the FATF-style regional body to which the country or jurisdiction belongs. When applicable, relevant country reports also provide links to the Department of State's "Country Reports on Terrorism" so the reader can learn more about issues specific to terrorism and terrorism financing. Providing these links will allow those interested readers to find detailed information on the country's AML/CFT capacity and the effectiveness of its programs.

In addition, the report contains details of United States Government efforts to provide technical assistance and training as well as information on the multilateral organizations we support, either monetarily and/or through participation in their programs. In 2010, USG personnel leveraged their expertise to share their experience and knowledge with over 100 countries. They worked independently and with other donor countries and organizations to provide training programs, mentoring and support for supervisory, law enforcement, prosecutorial, customs and financial intelligence unit personnel as well as private sector entities. We expect these efforts, over time, will build capacity in jurisdictions that are lacking, strengthen the overall level of global compliance with international standards and contribute to an increase in prosecutions and convictions of those who launder money or finance terrorists or terrorist acts.

Money laundering continues to be a serious global threat. Jurisdictions flooded with illicit funds are vulnerable to the breakdown of the rule of law, the corruption of public officials and destabilization of their economies. The development of new technologies and the possibility of

linkages between illegal activities that generate considerable proceeds and the funding of terrorist groups only exacerbate the challenges faced by the financial, law enforcement, supervisory, legal and intelligence communities. The continued development of AML/CFT regimes to deter criminal activity and detect illicit proceeds is reflected in this report again this year. Political stability, democracy and free markets depend on solvent, stable, and honest financial, commercial, and trade systems. The Department of State's Bureau of International Narcotics and Law Enforcement Affairs looks forward to continuing to work with our U.S. and international partners in furthering this important work and strengthening capacities globally to combat money laundering and the funding of terrorists and terrorism.

## **Bilateral Activities**

### *Training and Technical Assistance*

During 2010, a number of U.S. law enforcement and regulatory agencies provided training and technical assistance on money laundering countermeasures and financial investigations to their counterparts around the globe. These courses have been designed to give financial investigators, regulators and supervisors, and prosecutors the necessary tools to recognize, investigate, and prosecute money laundering, financial crimes, terrorist financing, and related criminal activity. Courses have been provided in the United States as well as in the jurisdictions where the programs are targeted.

### *Department of State*

The U.S. Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL) Crime Programs Division helps strengthen criminal justice systems and the abilities of law enforcement agencies around the world to combat transnational criminal threats before they extend beyond their borders and impact our homeland. Through its international programs, as well as in coordination with other INL offices and U.S. Government (USG) agencies, the INL Crime Programs Division addresses a broad cross-section of law enforcement and criminal justice sector areas including: counternarcotics; drug demand reduction; money laundering; financial crime; terrorist financing; transnational crime; smuggling of goods; illegal migration; trafficking in persons; domestic violence; border controls; document security; corruption; cyber-crime; intellectual property rights; law enforcement; police academy development; and assistance to judiciaries and prosecutors.

INL and the State Department's Office of the Coordinator for Counterterrorism (S/CT) co-chair the interagency Terrorist Finance Working Group (TFWG), and together are implementing a multi-million dollar training and technical assistance program designed to develop or enhance the capacity of a selected group of more than two dozen countries whose financial sectors have been used, or are vulnerable to being used, to finance terrorism. As is the case with the more than 100 other countries to which INL-funded training was delivered in 2010, the capacity to thwart the funding of terrorism is dependent on the development of a robust anti-money laundering regime. Supported by and in coordination with the U.S. Department of State, U.S. Department of Justice (DOJ), U.S. Department of Homeland Security (DHS), U.S. Department of the Treasury, the Federal Deposit Insurance Corporation, and various nongovernmental organizations, the TFWG provided in 2010 a variety of law enforcement, regulatory and criminal justice programs worldwide. This integrated approach includes assistance with the drafting of legislation and regulations that comport with international standards, the training of law

## Money Laundering and Financial Crimes

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enforcement, the judiciary and bank regulators, as well as the development of financial intelligence units (FIUs) capable of collecting, analyzing, and disseminating financial information to foreign analogs. Courses and training have been provided in the United States as well as in the jurisdictions where the programs are targeted.

Nearly every federal law enforcement agency assisted in this effort by providing basic and advanced training courses in all aspects of financial criminal investigation. Likewise, bank regulatory agencies participated in providing advanced AML/CFT training to supervisory entities. In addition, INL made funds available for the intermittent or full-time posting of legal and financial mentors at selected overseas locations. These advisors work directly with host governments to assist in the creation, implementation, and enforcement of anti-money laundering and financial crime legislation. INL also provided several federal agencies funding to conduct multi-agency financial crime training assessments and develop specialized training in specific jurisdictions to combat money laundering.

The State Department, in conjunction with DHS' Immigration and Customs Enforcement (ICE) and the Department of Treasury, supports five trade transparency units (TTUs) in Latin America: three in the tri-border area of Brazil, Argentina, and Paraguay, one in Mexico, and one in Colombia. TTUs are entities designed to help identify significant disparities in import and export trade documentation and continue to enjoy success in combating money laundering and other trade-related financial crimes. Similar to the Egmont Group of FIUs that examines and exchanges information gathered through financial transparency reporting requirements, an international network of TTUs would foster the sharing of disparities in trade data between countries and be a potent weapon in combating customs fraud and trade-based money laundering. Trade is the common denominator in most of the world's alternative remittance systems and underground banking systems. Trade-based value transfer systems also have been used in terrorist finance.

The success of the Caribbean Anti-Money Laundering Program (CALP) led INL to develop a similar type of program for small Pacific island jurisdictions. Accordingly, INL funded the establishment of the Pacific Island Anti-Money Laundering Program (PALP) in 2005. The objectives of PALP are to reduce the laundering of the proceeds of all serious crime and the financing of terrorists by facilitating the prevention, investigation, and prosecution of money laundering. PALP's staff of resident mentors provides regional and bilateral AML/CFT mentoring, training and technical assistance to the 14 Pacific Islands Forum countries that are not members of the Financial Action Task Force (FATF). The management of the program was transferred to the UN Global Program against Money Laundering from the Pacific Islands Forum in September 2008, as the PALP began its third year of operation. The PALP is nearing completion following its successful program, as evidenced by the new laws, increased capacity and successful investigations completed by participant jurisdictions.

INL also provided support to the UN Global Program against Money Laundering (GPML) in 2010. In addition to sponsoring money laundering conferences and providing short-term training courses, GPML instituted its mentoring program to provide advisors on a year-long basis to specific countries or regions. GPML mentors provided assistance to Horn of Africa countries targeted by the U.S. East Africa Counterterrorism Initiative as well as asset forfeiture assistance to Namibia, Botswana, and Zambia. The resident mentor based in Namibia initiated and monitored the Prosecutor Placement Program, an initiative aimed at placing prosecutors from the region for a certain period of time within the asset forfeiture unit of South Africa's national prosecuting authority. The GPML mentors in Central Asia and the Mekong Delta continued assisting the countries in those regions to develop viable AML/CFT regimes. GPML continues

to develop interactive computer-based programs for distribution, translated into several languages.

INL continues to provide significant financial support for many of the anti-money laundering bodies around the globe. During 2010, INL supported FATF, the international AML/CFT standard setting organization. In addition to sharing mandatory membership dues to FATF and the Asia/Pacific Group on Money Laundering (APG) with the U.S. Department of the Treasury and DOJ, INL is a financial supporter of FATF-style regional bodies (FSRBs) secretariats and training programs, including the Council of Europe's MONEYVAL, the Caribbean Financial Action Task Force (CFATF), the Intergovernmental Action Group against Money-Laundering in West Africa (GIABA), the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) and the South American Financial Action Task Force (GAFISUD). In addition to providing funding to GPML to place a residential mentor in Dakar, Senegal, to assist those member states of GIABA that have enacted the necessary legislation to develop FIUs, INL worked with the mentor to determine priorities and develop opportunities and programs. INL also financially supported the Organization of American States (OAS) Inter-American Drug Abuse Control Commission (CICAD) Experts Group to Control Money Laundering and the OAS Counter-Terrorism Committee.

INL has supported anti-piracy efforts by substantively working with other bureaus within DOS as well as with international organizations and other countries, to look at the best way to address piracy through its financial levers – the assets assembled as a result of piracy activity, and the material support and instrumentalities of piracy – and the application of domestic and international instruments to thwart pirates as we do other criminals.

As in previous years, INL training programs continue to focus on both interagency bilateral and multilateral efforts. When possible, we seek participation with our partner countries' law enforcement, judicial and central bank authorities to design and provide training and technical assistance to countries with the political will to develop viable AML/CFT financing regimes. This allows for extensive synergistic dialogue and exchange of information. INL's approach has been used successfully in Africa, Asia, the Pacific, Central and South America, the Newly Independent States of the former Soviet Union, and Central Europe. INL also provides funding for many of the regional training and technical assistance programs offered by the various law enforcement agencies, including assistance to the International Law Enforcement Academies.

### **International Law Enforcement Academies (ILEAs)**

The mission of the regional ILEAs has been to support emerging democracies, help protect U.S. interests through international cooperation, and promote social, political and economic stability by combating crime. To achieve these goals, the ILEA program has provided high-quality training and technical assistance, supported institution building and enforcement capabilities, and fostered relationships of American law enforcement agencies with their counterparts in each region. ILEAs have also encouraged strong partnerships among regional countries to address common problems associated with criminal activity.

The ILEA concept and philosophy is a united effort by all the participants - government agencies and ministries, trainers, managers, and students alike to achieve the common foreign policy goal of international law enforcement. The goal is to train professionals who will craft the future for the rule of law, human dignity, personal safety and global security.

The ILEAs are a progressive concept in the area of international assistance programs. The regional ILEAs offer three different types of programs. The core program, a series of specialized

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training courses and regional seminars tailored to region - specific needs and emerging global threats, typically includes 50 participants, normally from three or more countries. The specialized courses, comprised of about 30 participants, are normally one or two weeks long and often run simultaneously with the Core program. Topics of the regional seminars include transnational crimes, financial crimes, and counter-terrorism.

The ILEAs help develop an extensive network of alumni that exchange information with their U.S. counterparts and assist in transnational investigations. These graduates are also expected to become the leaders and decision-makers in their respective societies. The Department of State works with the Departments of Justice (DOJ), Homeland Security (DHS) and Treasury, and with foreign governments to implement the ILEA programs. To date, the combined ILEAs have trained over 30,000 officials from over 85 countries in Africa, Asia, Europe and Latin America.

**Africa.** ILEA Gaborone (Botswana) opened in 2001. The main feature of the ILEA is a six-week intensive personal and professional development program, called the Law Enforcement Executive Development Program (LEEDP), for law enforcement mid-level managers. The LEEDP brings together approximately 45 participants from several nations for training on topics such as combating transnational criminal activity, supporting democracy by stressing the rule of law in international and domestic police operations, and raising the professionalism of officers involved in the fight against crime. ILEA Gaborone also offers specialized courses for police and other criminal justice officials to enhance their capacity to work with U.S. and regional officials to combat international criminal activities. These courses concentrate on specific methods and techniques in a variety of subjects, such as counter-terrorism, anti-corruption, financial crimes, border security, drug enforcement, firearms and many others. Instruction is provided to participants from Angola, Botswana, Burundi, Cameroon, Comoros, Djibouti, Ethiopia, Gabon, Ghana, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Republic of Congo, Rwanda, Senegal, Seychelles, Sierra Leone, South Africa, Swaziland, Tanzania, Uganda and Zambia. Trainers from the United States and Botswana provide instruction. Gaborone has offered specialized courses on money laundering/terrorist financing-related topics such as Criminal Investigation and International Banking & Money Laundering Program. ILEA Gaborone trains approximately 500 students annually.

**Asia.** ILEA Bangkok (Thailand) opened in March 1999. The ILEA focuses on enhancing the effectiveness of regional cooperation against the principal transnational crime threats in Southeast Asia - illicit drug trafficking, financial crimes, and alien smuggling. The ILEA provides a core course (the Supervisory Criminal Investigator Course or SCIC) of management and technical instruction for supervisory criminal investigators and other criminal justice managers. In addition, these ILEA presents approximately 20 one-to-two-week specialized courses in a variety of criminal justice topics. The principal objectives of the ILEA are the development of effective law enforcement cooperation within the member countries of the Association of Southeast Asian Nations (ASEAN), Timor Leste and China (including Hong Kong and Macau), and the strengthening of each country's criminal justice institutions to increase their abilities to cooperate in the suppression of transnational crime. Instruction is provided to participants from Brunei, Cambodia, China, Timor Leste, Hong Kong, Indonesia, Laos, Macau, Malaysia, Philippines, Singapore, Thailand and Vietnam. Subject matter experts from the United States, Australia, Hong Kong, Japan, Philippines, and Thailand provide instruction. ILEA Bangkok has offered specialized courses on money laundering/terrorist financing-related topics such as Computer Crime Investigations and Complex Financial Investigations. Approximately 800 students participate annually.

**Europe.** ILEA Budapest (Hungary) opened in 1995. Its mission has been to support the region's emerging democracies by combating an increase in criminal activity that emerged against the backdrop of economic and political restructuring following the collapse of the Soviet Union. ILEA Budapest offers three different types of programs: an eight-week Core course, regional seminars and specialized courses in a variety of criminal justice topics. Instruction is provided to participants from Albania, Armenia, Azerbaijan, Bulgaria, Croatia, Czech Republic, Georgia, Hungary, Kazakhstan, Kyrgyz Republic, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Romania, Russia, Serbia, Slovakia, Slovenia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. Trainers from 17 federal agencies and local jurisdictions from the United States and also from Hungary, Germany, United Kingdom, Netherlands, Ireland, Italy, Russia, Interpol and the Council of Europe provide instruction. ILEA Budapest has offered specialized courses on money laundering/terrorist financing-related topics such as Investigating/Prosecuting Organized Crime and Transnational Money Laundering. ILEA Budapest trains approximately 1,000 students annually.

**Global.** ILEA Roswell (New Mexico) opened in September 2001. This ILEA offers a curriculum comprised of courses similar to those provided at a typical criminal justice university/college. These three-week courses have been designed and are taught by academicians for foreign law enforcement officials. This Academy is unique in its format and composition with a strictly academic focus and a worldwide student body. The participants are mid-to-senior level law enforcement and criminal justice officials from Eastern Europe; Russia; the Newly Independent States (NIS); ASEAN member countries; the People's Republic of China (including the Special Autonomous Regions of Hong Kong and Macau); member countries of the Southern African Development Community (SADC) plus other East and West African countries; the Caribbean, Central and South American countries. The students are drawn from pools of ILEA graduates from the Academies in Bangkok, Budapest, Gaborone and San Salvador. ILEA Roswell trains approximately 350 students annually.

**Latin America.** ILEA San Salvador (El Salvador) opened in 2005. Its training program is similar to the ILEAs in Bangkok, Budapest and Gaborone. It offers a six-week Law Enforcement Management Development Program (LEMDP) for law enforcement and criminal justice officials as well as specialized courses for police, prosecutors, and judicial officials. ILEA San Salvador normally delivers four LEMDP sessions and approximately 20 specialized courses annually, concentrating on attacking international terrorism, illegal trafficking in drugs, alien smuggling, terrorist financing and financial crimes investigations. Segments of the LEMDP focus on terrorist financing and financial evidence/money laundering application. Instruction is provided to participants from: Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panamá, Paraguay, Perú, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, Uruguay and Venezuela. ILEA San Salvador trains approximately 500 students per year.

**The ILEA Regional Training Center.** The Regional Training Center (RTC) in Lima (Peru) opened in 2007 to complement the mission of ILEA San Salvador. The RTC, expected to be upgraded to a fully-operational ILEA in the future, augments the delivery of region-specific training for Latin America and concentrates on specialized courses on critical topics for countries in the Southern Cone and Andean Regions. The RTC trains approximately 300 students per year.



### ***Board of Governors of the Federal Reserve System (FRB)***

In addition to its domestic programs to combat and deter money laundering and terrorist financing, internationally, the Board of Governors of the Federal Reserve System (FRB) conducted training and provided technical assistance to banking supervisors in anti-money laundering (AML) and counter-terrorist financing (CFT) tactics in partnership with regional supervisory groups or multilateral institutions. Countries participating in these FRB initiatives in 2010 were Armenia, Aruba, Colombia, Croatia, Czech Republic, Ghana, Hong Kong, India, Indonesia, Italy, Japan, Kenya, Kuwait, Lebanon, Mexico, New Zealand, Nigeria, Peru, Philippines, Portugal, Russia, and Turkey.

Due to the importance the FRB places on international standards, the FRB's AML experts participate regularly in the U.S. delegation to the Financial Action Task Force (FATF) and the Basel Committee's AML/CFT expert group (AMLEG). The FRB also is an active participant in the U.S. Treasury Department's ongoing Private Sector Dialogue conferences. Staff also meets frequently with industry groups and foreign supervisors to communicate U.S. supervisory expectations and support industry best practices in this area.

The FRB presented training courses on 'International Money Movement' to domestic law enforcement agencies, including the Department of Homeland Security's Bureau for Immigration and Customs Enforcement (DHS/ICE), the Federal Bureau of Investigation, and the Internal Revenue Service-Criminal Investigation Division.

### ***Federal Bureau of Investigation (FBI), Department of Justice***

During 2010, with the assistance of Department of State funding, the U.S. Federal Bureau of Investigation (FBI) continued its extensive international training in combating money laundering, terrorist financing, financial fraud and complex financial crimes, as well as training in conducting racketeering enterprise investigations. One such training program is the FBI's International Training and Assistance Unit (ITAU), located at the FBI Academy in Quantico, Virginia. ITAU coordinates with the Terrorist Financing and Operations Section of the FBI's Counterterrorism Division, as well as other divisions at FBI headquarters and in the field, to provide instructors for these international initiatives. FBI instructors, who are most often financial analysts, intelligence analysts, staff operation specialists, operational Special Agents or Supervisory Special Agents, rely on their experience to relate to the international law enforcement students as peers and partners in the training courses.

The FBI regularly conducts training through the International Law Enforcement Academies (ILEA) in Bangkok, Thailand; Budapest, Hungary; Gaborone, Botswana; and San Salvador, El Salvador. In 2010, the FBI delivered training to 245 students from 14 countries at ILEA Budapest. At ILEA Bangkok, the FBI provided training to 55 students from ten countries in the Supervisory Criminal Investigators Course. At ILEA Gaborone, the FBI provided training to 69 students from eight African countries. At ILEA San Salvador, the FBI provided training to 140 students from 17 countries.

Also in 2010, the FBI conducted jointly with the Internal Revenue Service Criminal Investigative Division a one-week course on combating terrorist financing and money laundering for 483 international students from Algeria, Bahrain, Bosnia and Herzegovina, Burkina Faso, Cape Verde, Egypt, Gabon, Guinea-Bissau, Iraq, Jordan, Morocco, Nigeria, Republic of Congo, Saudi Arabia, Senegal, and United Arab Emirates.

At the FBI Academy, the FBI included blocks of instruction on combating terrorist financing and/or money laundering for 37 students participating in Session #14 of the Latin American Law Enforcement Executive Development Seminar; the students were from Argentina, Belize, Brazil, Chile, Costa Rica, Dominican Republic, El Salvador, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Spain, Uruguay and Venezuela. The FBI included similar blocks of instruction for 18 students participating in Session #5 of the Arabic Language Law Enforcement Executive Development Seminar; the students were from Bahrain, Egypt, Iraq, Jordan, Palestine, Qatar, Saudi Arabia, and Sudan.

Also during 2010, the FBI Academy hosted the first session of the Afghan Law Enforcement Executive Development Seminar and provided blocks of instruction on terrorist financing to 23 students from Afghanistan. In addition, the FBI Academy hosted the first session of the Mexican Law Enforcement Executive Development Seminar and provided blocks of instruction on terrorist financing to 32 students from Mexico. In addition, as part of the FBI's Pacific Training Initiative Session #23, the FBI included terrorist financing instruction for 50 participants from 13 countries; the students were from Australia, Cambodia, China, Hong Kong, India, Indonesia, Japan, Malaysia, the Philippines, Singapore, South Korea, Thailand, and the United States.

### ***Federal Deposit Insurance Corporation (FDIC)***

In 2010, the Federal Deposit Insurance Corporation (FDIC) continued to work in partnership with several Federal agencies and international groups to combat money laundering and inhibit the flow of terrorist funding. These efforts were focused primarily on training and outreach initiatives. In partnership with the U.S. Department of State, the FDIC hosted three anti-money laundering and counter terrorist financing (AML/CFT) training sessions for 65 representatives from Afghanistan, Argentina, Ghana, Iraq, Jordan, Kuwait, Mali, Mauritania, Morocco, Nigeria, Pakistan, Paraguay, Qatar, Senegal, and Turkey. The training sessions addressed the AML examination process, suspicious activity monitoring, customer due diligence, and foreign correspondent banking risks and controls.

During the year, the FDIC met with 23 supervisory and law enforcement representatives from Bosnia and Herzegovina, Bulgaria, Estonia, Finland, Hungary, Italy, Kosovo, Lithuania, Namibia, Poland, Romania, Slovenia, Spain, Sweden, Ukraine and Zambia to discuss AML issues. Topics included examination policies and procedures, the USA PATRIOT Act, suspicious activity reporting requirements, and government information sharing mechanisms.

### ***Financial Crimes Enforcement Network (FinCEN), Department of Treasury***

The Financial Crimes Enforcement Network (FinCEN) is a bureau of the U.S. Department of the Treasury and is the U.S. financial intelligence unit (FIU). In 2010, FinCEN hosted representatives from a variety of foreign government agencies, focusing on topics such as money laundering trends and patterns, the Bank Secrecy Act, the USA PATRIOT ACT, communications systems and databases, and case processing. A number of these visitors were participants in the U.S. Department of State's International Visitor Leadership Program.

FinCEN assists new or developing FIUs that it is co-sponsoring for membership in the Egmont Group of FIUs. The Egmont Group is comprised of FIUs that cooperatively agree to share financial intelligence and has become the standard-setting body for FIUs. FinCEN is currently co-sponsoring FIUs from nine jurisdictions for Egmont Group membership: China, Dominican Republic, Ghana, Jordan, Kuwait, Oman, Pakistan, Tanzania, and Yemen. As a member of the Egmont Group, FinCEN also works multilaterally through its representative on the Egmont

Training Working Group to design, implement, and instruct at Egmont-sponsored regional training programs for Egmont Group members as well as Egmont candidate FIUs.

FinCEN regularly engages with foreign FIUs in order to exchange information on operational practices and issues of mutual concern. The participants in these exchanges share ideas, innovations, and insights that lead to improvements in such areas as analysis, information flow, and information security at their home FIUs, in addition to deeper and more sustained operational collaboration. In 2010, FinCEN conducted analyst exchanges with the FIUs of Afghanistan, Brazil, Paraguay, the Philippines, and Senegal.

### ***Immigration and Customs Enforcement, Department of Homeland Security (DHS)***

During Fiscal Year 2010, ICE-Homeland Security Investigations (HSI), the investigative arm of the U.S. Department of Homeland Security (DHS), continued its commitment to providing financial investigative training to countries around the world. The HSI Financial, Narcotics, and Special Operations Division, in conjunction with the HSI Office of International Affairs conducted and/or participated in training to foreign law enforcement, regulatory agencies, and bank and trade officials in 13 foreign countries. Utilizing their broad experience and expertise in conducting international financial investigations, HSI designed the training to provide the attendee with the critical skills necessary to successfully identify and investigate financial crimes and included such topics as an introduction to money laundering, bulk cash smuggling, asset forfeiture, unlicensed money services business/informal value transfer systems, prepaid access devices, and interviewing techniques.

#### **Bulk Cash Smuggling**

Using primarily U.S. Department of State funding, HSI provided bilateral and multilateral training and technical assistance to host nations which consisted of blocks of training detailing the various aspects of money laundering and the interdiction and investigation of bulk cash smuggling (BCS) for over 591 representatives from 13 countries. Notably, Nigeria, Saudi Arabia, Egypt, Indonesia, Algeria, India, Morocco, the Dominican Republic and HSI personnel participated in one of the first money laundering training seminars ever conducted in Sana'a, Yemen.

Through the U.S. Department of State's International Law Enforcement Academy (ILEA) programs, HSI conducted 16 financial investigations and anti-money laundering training programs for over 700 participants at various ILEA Training Centers located in Peru, Botswana, El Salvador, and Thailand.

In FY10, HSI continued its partnership with the Organization of American States (OAS) and the United Nations Office on Drugs and Crime (UNODC). HSI participated in a sub-regional workshop in Lima, Peru dedicated to the interdiction and investigation of cross border bulk cash smuggling. More than 40 financial intelligence analysts from financial intelligence units, immigration and customs officials, and prosecutors from Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru and Uruguay participated in the workshop.

#### **Trade Transparency Units (TTUs)**

Trade Transparency Units (TTUs) are designed to help identify significant disparities in import and export trade documentation and identify anomalies related to cross-border trade that are indicative of international trade-based money laundering. Trade is the common denominator in

most of the world's alternative remittance systems and underground banking systems. Trade-based value transfer systems have also been used in terrorist financing. TTUs generate, initiate, and support investigations and prosecutions related to trade-based money laundering, the illegal movement of criminal proceeds across international borders, the abuse of alternative remittance systems, and other financial crimes. By sharing trade data, HSI and participating foreign governments are able to see both sides of import and export transactions for commodities entering or exiting their countries, thus assisting in the investigation of international money laundering organizations. The number of trade-based money laundering investigations emerging from TTU activity continues to grow.

The United States established a TTU within DHS/HSI that generates both domestic and international investigations. With funding from the U.S. Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL), HSI worked to expand the network of operational TTUs beyond Colombia, Brazil, Argentina, Paraguay and Mexico. In 2010, Panama officially became the newest member of the TTU network. As part of this new TTU initiative, HSI provided IT equipment and training as well as increased support to this newly established TTU to ensure its successful development.

In 2010, HSI updated the technical capabilities of existing TTUs and trained new and existing TTU personnel from Brazil, Colombia, Paraguay, Argentina, Mexico, and Panama, as well as members of their financial intelligence units. Additionally, HSI strengthened its relationship with the TTUs by deploying temporary and permanent personnel overseas to work onsite and provide hands-on training. These actions have continued to facilitate information sharing between the USG and foreign TTUs in furtherance of ongoing joint criminal investigations.

### **Other HSI Programs**

In 2010, HSI expanded its highly successful Operation Firewall, a joint strategic bulk cash smuggling initiative with U.S. Customs and Border Protection (CBP) to provide hands-on training and capacity building to law enforcement officials around the globe. Operation Firewall was designed to address the threat posed by the bulk cash smuggling via the key facets of transportation to include movement within the continental United States and cross-border smuggling through the various air, sea, and land ports of entry. In FY 2010, Operation Firewall resulted in 1,367 seizures totaling in excess of \$133 million in U.S. currency and negotiable instruments and to date has resulted in the seizure of more than \$411 million dollars.

Under the HSI Cornerstone initiative, training was designed and developed to provide the financial and trade sectors with the necessary skills to identify and develop methodologies to detect suspicious transactions indicative of money laundering and criminal activity. In furtherance of the Cornerstone initiative, HSI has dedicated field and headquarters agents who are charged with providing training to the financial and trade communities on identifying and preventing exploitation by criminal and terrorist organizations. In FY 2010, HSI Cornerstone liaisons conducted 2,419 outreach presentations for more than 45,179 industry professionals in the U.S. and abroad.

### ***Internal Revenue Service (IRS), Criminal Investigative Division (CID), Department of Treasury***

In 2010, the U.S. Internal Revenue Service (IRS) Criminal Investigation Division continued its involvement in international training and technical assistance efforts designed to assist international law enforcement officers in detecting tax, money laundering, and terrorist financing

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crimes. To complement its independent programs, IRS-CID partnered with several USG and multilateral organizations, including agencies and offices of the U.S. Departments of State, Justice, Treasury and Defense; INTERPOL; the Organization for Economic Co-operation and Development (OECD); and the governments of Greece, Norway and South Korea to deliver a variety of programs. Training consisted of Basic and Advanced Financial Investigative Techniques, and topics addressing the detection and deterrence of money laundering and terrorist financing. Each course was tailored to meet the needs of the relevant participating countries, with varying emphasis on drug trafficking, corruption, methods of proof, tax crimes, customs violations and mock investigations.

## Financial Investigative Techniques Training

IRS-CID conducted Financial Investigative Techniques (FIT) courses in the following locations:

**Bosnia and Herzegovina** –Participants included 57 representatives from the Prosecutor’s Office, Financial Intelligence Department, State Investigative and Protection Agency, Financial Police, Tax Authorities and other police organizations.

**Indonesia** –Seventy-two participants from the Indonesia National Police, Attorney General’s Office, Financial Transaction Reports and Analysis Center, Immigration, and Corruption Commission attended this training. Additionally, prosecutors from Timor-Leste participated.

**South Africa** – Ninety-two participants from the South African Revenue Service received training in Pretoria, Capetown and Johannesburg.

**Albania** –Attendees included 34 participants assigned to the Albanian Joint Investigative Units. Another course included 30 members of the newly formed Criminal Investigations section of the Albanian Tax Authority.

**Colombia** –The 29 participants included investigators from the Colombian National Police, members of the Attorney General’s investigative body and analysts from the Colombian Financial Investigative Unit.

**Cambodia** –Approximately 35 members of the National Police Counter Drugs Force, Financial Institutions, Financial Investigative units and Anti-Corruption units from Cambodia received training.

**Mexico** – The training was presented to 53 Mexican Federal Police officers, investigators, prosecutors, and investigative analysts. The course is part of the Merida initiative which supports bilateral cooperation between the US and Mexico. Also, two advanced FIT classes were delivered to 52 Mexican prosecutors, accountants, investigative analysts and federal agents.

**Estonia** – A modified FIT training course was delivered to investigators from the Estonia Tax and Customs Board and prosecutors. The training was provided at the request of the Estonian Tax and Customs Board.

**Norway** – A course funded by the government of Norway was presented to 24 participants, including police investigators, customs officers, and investigators/advisers to the Norwegian Tax Directorate that specialized in economic crimes, customs violations, and/or tax crimes.

**Greece** – Approximately 60 participants from the Hellenic National Police and the SDOE, a Special Financial Investigative Unit, participated in FIT courses based on a direct agreement with the government of Greece.

**South Korea** – IRS-CID trained 30 participants from the National Tax Service in cooperation with the South Korean government.

### **Other Training Initiatives**

Various non-FIT training initiatives were delivered by IRS-CID in conjunction with other agencies. These include:

Thailand - The Transnational Crime Affairs Section sponsored three Complex Financial Investigations (CFI) courses given to a total of 159 participants. Participants included members of the Anti-Money Laundering Office (AMLO), bank examiners, the Royal Thai Police, and Thailand Border Patrol.

Mexico -- The International Money Laundering/Criminal Organizations and Illicit Financing course introduced 215 Mexican federal prosecutors, accountants, and law enforcement officials to various aspects of the U.S. judicial system including: money laundering, direct examination, Ponzi schemes, and forfeiture.

Two sessions of Evidence Seizure and Chain of Custody introduced Mexican law enforcement officials to the U.S. based legal system for executing search warrants, seizing evidence, and preserving the chain of custody. The goal is to help prepare Mexican federal officials to investigate and prosecute criminal cases using the accusatorial system.

An Electronic Crimes and Financial Crime Scene presentation was given to money laundering investigators of the Federal Police Anti-Money Laundering Unit and Ministry of Justice Judicial Police.

IRS-CID participated in delivering training to combat terrorist financing and money laundering in Algeria, Bosnia and Herzegovina, Egypt, Iraq, Jordan, Morocco, Nigeria, Philippines, Senegal, and United Arab Emirates.

### **International Law Enforcement Academy Training**

IRS-CID provided instructor and course delivery support to the State Department International Law Enforcement Academies (ILEA) located in Bangkok, Thailand; Budapest, Hungary; Gaborone, Botswana; and San Salvador, El Salvador.

At ILEA Bangkok: IRS-CID participated in one Supervisory Criminal Investigator Course. IRS-CID also participated in three sessions of Complex Financial Investigations. The 159 participants represented various law enforcement agencies from the following countries: Brunei, Cambodia, China, Hong Kong, Indonesia, Laos, Macau, Malaysia, Philippines, Singapore, Thailand, Timor-Leste and Vietnam.

At ILEA Budapest: IRS-CID participated in delivering five sessions of Financial Investigative Techniques training. Participating countries included: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Georgia, Hungary, Kazakhstan, Kosovo, Macedonia, Moldova, Montenegro, Serbia, Slovenia, Tajikistan and Ukraine. IRS-CID provided a class coordinator for ILEA 78 who was responsible for coordinating and supervising the participants' daily duties and activities. IRS-CID also provided the key note speaker for the graduation of ILEA 78.

At ILEA Gaborone: IRS-CID participated in four Law Enforcement Executive Development programs. Countries that participated were Angola, Botswana, Cameroon, Djibouti, Ethiopia, Ghana, Guinea, Mauritius, Mozambique, Republic of Congo, Seychelles, South Africa, Uganda and Zambia.

At ILEA San Salvador: IRS-CID assisted in the delivery of four FIT courses for the Law Enforcement Management Development Programs (LEMDP). Participating countries were Antigua and Barbuda, Argentina, Bahamas, Barbados, Brazil, Chile, Colombia, Costa Rica,

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Dominica, El Salvador, Grenada, Guatemala, Mexico, Paraguay, Peru, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Uruguay.

IRS-CID led a Financial Investigative Techniques/Money Laundering course funded by the ILEA at the Regional Training Center in Lima, Peru. The 33 participants from Argentina, Brazil, Chile, and Peru were members of their respective national police agencies and prosecutors' offices.

## **Non-routine Training Events**

Employees of IRS-CID International Operations also completed several non-routine training events.

Members from IRS-CID International Operations attended a joint Mexico-US workshop that focused on arms trafficking and money laundering by Mexican narcotics cartels. The conference sponsored by the U.S. Ambassador to Mexico, brought together high ranking law enforcement, prosecutorial and regulatory officials from both countries.

In conjunction with the Office of Economic Development and Cooperation (OECD) and the Treasury Executive Office for Asset Forfeiture, IRS-CID led a multi-national training team to develop and present a three-day training symposium in Washington D.C. The symposium consisted of money laundering and bribery awareness for tax examiners. The course was attended by 58 examiners and auditors of 20 countries. IRS-CID also attended an OECD meeting in Paris, France.

Members of International Operations participated in meetings with the International Criminal Police Organization (INTERPOL) and with a delegation from South Korea. INTERPOL's working group on Money Laundering and Terrorist Financing met to provide advice on developing INTERPOL's ability to facilitate money laundering and terrorist financing investigations through effective information sharing. The meeting with officials from South Korea culminated in the signing of a Simultaneous Criminal Investigation Program between the IRS and the National Tax Service of South Korea.

IRS-CID Narcotics and Counterterrorism (NCT) participated in the South Asia Regional Workshop held in Kathmandu, Nepal. NCT discussed domestic/international coordination of investigations and how IRS-CID can add value to terrorism investigations.

A tax and fraud training session organized by the U.S. Department of Justice's Office of Overseas Prosecutorial Development, Assistance and Training Resident Legal Advisor together with the Georgian Ministry of Justice Prosecutor's Service was held in the Republic of Georgia. The training, presented to 120 Ministration of Finance prosecutors and investigators, focused on case development, case assessment and evidence gathering.

IRS-CID attaché in Australia participated in two training sessions. A seminar for the International Association of Financial Crime Investigators focused on the IRS investigative mission and the benefits of law enforcement working together on a global level. Attendees included 130 participants from various Australian agencies and other fraud investigative entities. Another session presented to the Australian Taxation Office (ATO) provided an overview of the IRS and CID's international mission. This training included approximately 50 participants from several sections within ATO.

## **Assessments**

Training assessments for Bosnia and Herzegovina, Cambodia and the Philippines were completed during 2010.

## ***Office of the Comptroller of the Currency (OCC), Department of Treasury***

The U.S. Department of the Treasury's Office of the Comptroller of the Currency (OCC) works with other federal banking agencies to provide training to foreign banking supervisors. The OCC sponsored several initiatives to provide anti-money laundering/counter-terrorist financing (AML/CFT) training to foreign banking supervisors in 2010. The OCC organized and conducted its annual AML/CFT School in Washington, D.C. The school is designed specifically for foreign banking supervisors to increase their knowledge of money laundering and terrorist financing typologies and improve their ability to detect these activities, thus strengthening their national AML/CFT regimes. Banking supervisors from 12 countries, including Australia, Brazil, China, India, Indonesia, Italy, Malaysia, Netherlands, Philippines, South Korea, Sri Lanka, Turkey, and Uruguay attended the school held at the OCC's Washington, D.C., headquarters. OCC officials also met with a delegation of South Korean FIU supervisors who visited Washington. Discussions focused on the U.S. bank supervision system, the OCC's risk based supervisory approach, and AML enforcement. The OCC also hosted two foreign bank regulators from Uruguay and Argentina to participate in a three week OCC AML examination.

OCC continued its industry outreach efforts to the International banking community. OCC officials delivered AML/CFT presentations at the MoneyLaundering.com 15<sup>th</sup> Annual Anti-Money Laundering Conference, attended by more than 1,000 AML professionals from 50 countries; and the Institute of International Bankers Annual Anti-Money Laundering Seminar, hosting attendees from 30 countries. OCC also participated in an AML/CFT presentation and conducted a separate workshop at the Kuwait Anti-Money Laundering Conference. The OCC also provided instructors for a workshop organized by the Association of Banking Supervisors of the Americas (ASBA) and hosted by the Superintendencia de Banca y Seguros, Peru that was attended by 29 supervisors from Argentina, Bolivia, Brazil, Ecuador, Paraguay, and Peru.

## ***Office of Overseas Prosecutorial Development, Assistance and Training, the Asset Forfeiture and Money Laundering Section, & Counterterrorism Section (OPDAT, AFMLS, and CTS), Department of Justice***

### **Training and Technical Assistance**

The U.S. Department of Justice's (DOJ) Office of Overseas Prosecutorial Development, Assistance, and Training (OPDAT), assesses, designs, and implements training and technical assistance programs for U.S. criminal justice sector counterparts overseas. OPDAT draws upon the anti-money laundering/counter-terrorist financing (AML/CFT) expertise within DOJ, including that of the Asset Forfeiture and Money Laundering Section of DOJ's Criminal Division (AFMLS/Criminal Division), the Counterterrorism Section (CTS) and the Office of Law and Policy of the National Security Division<sup>1</sup> (collectively, "NSD"), and U.S. Attorney's Offices to train and advise foreign AML/CFT partners. Much of the assistance provided by OPDAT, AFMLS, NSD and other DOJ components is provided with funding from the U.S.

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<sup>1</sup> The mission of the National Security Division is to combat terrorism and other threats to national security.



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Department of State; funds are also provided by the U.S. Agency for International Development and the Millennium Challenge Corporation.

In addition to training programs targeted to a country's immediate needs, OPDAT also provides long-term, in-country assistance through resident legal advisors (RLAs). RLAs are federal prosecutors who provide in-country technical assistance to improve capacity, efficiency, and professionalism within foreign criminal justice systems. RLAs are posted to U.S. embassies to work directly with counterparts in foreign legal and law enforcement agencies, including ministries of justice, prosecutor's offices, and offices within the judiciary branch. To promote reforms within the criminal justice sector, RLAs provide assistance in legislative drafting; modernizing institutional structures, policies and practices; and training law enforcement personnel, including prosecutors, and judges. RLAs also work in collaboration with DOJ's International Criminal Investigative Training Assistance Program (ICITAP) to train police and other investigative officials. OPDAT's work is coordinated closely with that of other donors and multilateral organizations. For all programs, OPDAT draws upon expertise from DOJ's Criminal Division, NSD, AFMLS, and other DOJ components as needed.

In 2010, OPDAT, AFMLS, and CTS met with and provided presentations to more than 244 international visitors from more than 20 countries on AML and/or CFT topics. Presentations covered U.S. policies to combat terrorism, U.S. legislation, issues raised in implementing new legislative tools, and the changing relationship of criminal and intelligence investigations. The meetings also covered money laundering and material support statutes, and the Classified Information Procedures Act. Of great interest to visitors is the balancing of civil liberties and national security issues, which is also addressed.

### **Money Laundering/Asset Forfeiture/Fraud**

In 2010, OPDAT organized training for foreign judges; prosecutors; other law enforcement officials; legislators; customs, supervisory, and FIU personnel; and private sector participants, and provided assistance in drafting anti-money laundering statutes compliant with international standards. Such assistance enhanced the ability of participating countries to prevent, detect, investigate, and prosecute money laundering and to make appropriate and effective use of asset forfeiture. The content of individual technical assistance programs varied depending on the participants' specific needs, but topics addressed in 2010 include the investigation and prosecution of complex financial crimes, economic crimes, money laundering, and corruption; the use of asset forfeiture as a law enforcement tool; counterfeiting; health care fraud; and international mutual legal assistance.

### **OPDAT-provided Training and Technical Assistance**

In 2010, OPDAT led or participated in training programs and seminars addressing the following topics, all tailored to the region or individual country: asset forfeiture seminars for Southeast Europe, Indonesia, Cameroon, Moldova, Montenegro, and Mexico; complex financial crime investigation and prosecution programs for Jordan, Bangladesh, Turkey, Indonesia, Ukraine, Kosovo, Albania and Mexico; anti-corruption programs for Indonesia, Georgia, Kyrgyzstan, Albania, Montenegro, Armenia, Kazakhstan, Ukraine, Serbia, Tajikistan, Yemen, Liberia, Cameroon, Rwanda, Uganda, Tanzania, and Sierra Leone; mutual legal assistance programs for Ukraine and Southeast Europe, Indonesia, and Mexico; and AML/CFT-related seminars for Saudi Arabia, Jordan, Uganda, Bangladesh, Indonesia, Kuwait and Turkey. Additionally, Turkish, Bangladeshi and Indonesian officials participated in study tours to the United States to observe how the U.S. investigates and prosecutes complex financial crimes and corruption.

In February and September 2010, with support from NSD, OPDAT organized conferences in Turkey designed to promote regional counter-terrorism cooperation. The first conference consisted of representatives from Albania, Bulgaria, Greece, Macedonia, and Turkey, while the second conference included representatives from Egypt, Jordan, Lebanon, and Turkey.

In March, OPDAT, again with the support of NSD, hosted a study visit to Washington for Turkish Ministry of Justice and financial crimes agency officials charged with drafting and refining legislation related to criminalizing terrorist financing, freezing terrorist assets, and designating terrorist organizations.

In May, OPDAT hosted a Southeast Asia Regional Asset Forfeiture Conference in Jakarta for representatives from twelve Southeast Asian Countries (Vietnam, Laos, Thailand, Bangladesh, Malaysia, Indonesia, Hong Kong, Taiwan, Timor Leste, France, United States and Australia). The conference focused on encouraging countries in the region to enact asset forfeiture legislation and use it effectively through international cooperation.

In June, OPDAT co-sponsored a bulk cash smuggling training program for Turkish law enforcement officers in Istanbul, Turkey. The training focused on the interdiction and investigation of cross-border bulk cash smuggling, with emphasis on money laundering and terrorist financing.

In July, OPDAT co-sponsored two sessions of a workshop focusing on enforcement measures against money laundering, terrorist finance, and other financial crimes for Jordanian officials in Amman, Jordan. The program emphasized the respective roles of financial crimes analysts, investigators, prosecutors and judges in addressing financial crimes.

In September, OPDAT co-sponsored with the Treasury Department a regional workshop examining the roles of the financial intelligence unit, law enforcement officers, and prosecutors in Amman, Jordan for officials from Jordan, Egypt, Saudi Arabia, Iraq, Lebanon, Yemen, and the Palestinian Authority. The program provided a framework for discussion of stakeholder roles in money laundering efforts, financial investigative techniques, and international cooperation.

### **Terrorism/Terrorist Financing**

OPDAT, AFMLS, and CTS/NSD, with the assistance of other DOJ components, play a central role in providing technical assistance to foreign counterparts to attack the financial underpinnings of terrorism and to build legal infrastructures to combat it. In this effort, OPDAT, CTS/NSD, and AFMLS work as integral parts of the interagency U.S. Terrorist Financing Working Group (TFWG), co-chaired by the State Department's INL Bureau and the Office of the Coordinator for Counterterrorism (S/CT).

### **OPDAT-Provided Training and Technical Assistance**

The TFWG supports four RLAs assigned overseas, located in Bangladesh, Kenya, Turkey, and the United Arab Emirates (UAE). The RLA for the UAE is stationed at the U. S. Embassy in Abu Dhabi, UAE, and is responsible for OPDAT program activities in the UAE, Saudi Arabia, Kuwait, Qatar, Jordan, Yemen, Oman, and Bahrain. The TFWG also supports OPDAT implemented projects in Indonesia, working through the INL-funded RLA posted there. The activities of the RLAs consist not only of capacity-building with host country justice sectors. Working in countries deemed to be vulnerable to terrorist financing, RLAs focus on money laundering and financial crimes and developing counter-terrorism legislation that criminalizes terrorist acts, terrorist financing, and the provision of material support or resources to terrorist

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organizations. The RLAs implement these programs by providing training, assistance in legislative drafting and support for the country's AML/CFT efforts. Some highlights of the RLAs' efforts in 2010 include:

In Bangladesh, OPDAT organized a U.S.-based study visit for senior members of Bangladesh's law enforcement community and provided technical assistance to the Bangladeshi National Coordinating Committee formed to combat financial crimes by reviewing Bangladesh's AML/CFT legislation. The US visit helped to facilitate a better understanding between the US and Bangladesh of their respective anti-terror efforts, enhanced multi-lateral counter-terrorism ties, and stimulated possible future actions related to anti-money laundering; combating terrorism and terrorist financing; and asset recovery and mutual legal assistance.

In Indonesia, the RLA continued to engage the Attorney General's Terrorism and Transnational Crime Task Force, which OPDAT has supported since its establishment as an operational unit in 2006. The task force is responsible for prosecuting significant cases involving four key areas: terrorism, money laundering, trafficking in persons, and cyber crime.

In Turkey, the RLA hosted regional conferences designed to promote regional counter-terrorism cooperation. In this ongoing project, the RLA continues to focus on regional, pro-active strategies to fight terrorism and its related crimes. This project is designed to foster mentoring relationships among law enforcement of the respective participating countries.

In Kenya, the RLA provided support to the Kenyan government, U.S. authorities, and the international community in the prosecutions of Somali pirates. The RLA addressed Kenya's piracy law, criminal elements of piracy, best practices in these cases, and the need for modernizing evidence practice in Kenya through multiple training sessions delivered in Kenya. The RLA also delivered counter-piracy training programs to officials from the Seychelles and Mauritius.

In the UAE and Gulf Region, the RLA focused on initiatives involving enforcement measures against money laundering and financial crimes in Jordan, and assistance to regulators, customs personnel and prosecutors to combat bulk cash smuggling in the UAE. These efforts are part of a region-wide initiative to address threat finance and money laundering.

In 2010, in addition to the programs listed under the Money Laundering/Asset Forfeiture/Fraud section, the RLAs conducted or participated in the following training programs and seminars: international cooperation in combating terrorism in Uganda, terrorist financing investigations and prosecutions in Qatar, Saudi Arabia, Bangladesh, and Indonesia; and counter-piracy seminars in Kenya, Mauritius, Seychelles and Tanzania.

### ***Office of Technical Assistance (OTA), Treasury Department***

The U.S. Department of the Treasury's Office of Technical Assistance (OTA) is located within the Office of International Affairs. OTA has five training and technical assistance programs: revenue policy and revenue administration, government debt issuance and management, budget policy and management, banking and financial services, and economic crimes. The economic crimes program offers technical assistance to combat money laundering, terrorist financing, and other financial crimes.

Fifty-three experienced Resident Advisors and Intermittent Advisors comprise the Economic Crimes Team (ECT). These advisors provide diverse expertise in the development of anti-money laundering/counter-terrorist financing (AML/CFT) regimes, and the investigation and prosecution of complex financial crimes. The ECT is divided into three geographic areas, each

of which is managed by a full-time Regional Advisor: Europe and Asia, Africa and the Middle East, and the Americas.

OTA receives direct appropriations funding from the U.S. Congress, and funding from the U.S. Department of State's Bureau for International Narcotics and Law Enforcement Affairs, U.S. Agency for International Development (USAID) country missions, and the Millennium Challenge Corporation (MCC).

### **Assessing Training and Technical Assistance Needs**

The goal of OTA's Economic Crimes program is to build the capacity of host countries to prevent, detect, investigate, and prosecute complex international financial crimes by providing technical assistance in three primary areas: combating money laundering, terrorist financing, and other financial crimes; fighting organized crime and corruption; and building capacity for financial law enforcement entities.

Before initiating training or technical assistance, OTA Economic Crimes Advisors conduct comprehensive assessments to identify needs and to formulate responsive assistance programs. These needs assessments examine legislative, regulatory, law enforcement, and judicial components, and include the development of technical assistance work plans to enhance a country's efforts to fight money laundering, terrorist financing, organized crime and corruption. In 2010, OTA conducted assessments and/or developed new technical assistance plans in Bosnia and Herzegovina, Costa Rica, El Salvador, Georgia, Guatemala, Guyana, Honduras, and Uruguay.

### **Regional and Resident Advisors**

OTA Regional Advisors and Resident Advisors continued international support in the areas of money laundering and terrorist financing through conducting bilateral assessments; organizing and participating in regional training events and international workshops and seminars; working collaboratively with international donors; and supporting FATF-style regional bodies in the delivery of technical assistance and other direct and indirect technical assistance activities.

**Africa and Middle East:** The Regional Advisor serves as the U.S representative for the MENA FATF Technical Assistance and Topology Working Group and is a member of U.S. delegations to three FATF-style regional bodies in his region. The region has resident advisors in Botswana, Jordan, Iraq, Ghana and Morocco and intermittent projects in Sao Tome and Principe, Lesotho, Palestine, Algeria and Saudi Arabia.

In Eastern and Southern Africa, OTA placed a resident advisor in Botswana to work with the newly established financial intelligence unit (FIU) and to also provide assistance on an intermittent basis to Lesotho as that country implements its AML/CFT legislation and establishes an FIU. In Lesotho, OTA provided assistance in identifying required amendments to AML/CFT legislation, drafted implementing AML/CFT regulations, drafted a position description for the FIU Director's position, reviewed the proposed FIU budget, and assisted in planning outreach activities for public and private institutions. In Botswana the OTA resident has finalized an AML/CFT technical assistance work plan, trained FIU staff, assisted in the development of a 2011 budget for the FIU, and played a key role in getting an interim FIU Director appointed.

In West Africa, a resident advisor was placed in Ghana and is co-located in the FIU, providing assistance to bring it to an operational level and to address deficiencies in the country's AML/CFT regime. In 2010, the advisor focused on assisting the FIU with the FATF International Cooperation Review Group (ICRG) monitoring process, assisted in the 2011 budget

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development, improved the FIU data management process, assisted in the development of a currency declaration form, and coordinated an OTA Information Technology (IT) assessment to initiate the IT development process for the FIU.

In North Africa, a resident advisor was placed in Morocco in December 2010 to provide technical assistance to the FIU, Central Bank and other AML/CFT stakeholders. Technical assistance to Algeria will continue and focus on AML/CFT gaps identified in its recently adopted mutual evaluation report.

In the Middle East, a resident advisor was placed in Iraq with a focus to work with Iraq's Money Laundering Reporting Office (MLRO) and other AML/CFT stakeholders in passing new legislation and improving regulatory, investigative and prosecutorial capacity to combat serious financial crimes. OTA participated in anti-money laundering and anti-corruption workshops for Iraqi officials and mentored investigators and prosecutors on complex money laundering and terrorist financing cases.

**Europe and Asia:** OTA's Regional Advisor for is a member of the US delegation to the Asia Pacific Group on Money Laundering (APG) and actively participates in the activities of the APG's Technical Assistance and Training group. In early 2010, OTA placed two additional resident advisors in Afghanistan: one with the Major Crimes Task Force (MCTF); and one banking AML/CFT specialist to work with the AML/CFT section of the supervisory section of the Central Bank. OTA also placed Economic Crimes RAs in Vietnam and Kosovo in early 2010.

The RA in Afghanistan continued to focus on development of the Afghan FIU. OTA placed a second advisor with the Afghan MCTF to teach financial investigative techniques, mentor investigation of economic crimes, mentor processes associated with asset seizure, and orient investigative conduct toward prosecution. The MCTF's responsibility for economic crimes investigations was expanded in 2010 to include tax evasion by individual and commercial entities in which the FIU occupies a critically supportive role. Two one week bulk cash smuggling & money laundering training courses were developed and conducted for the MCTF as part of joint OTA/DHS Immigration and Customs Enforcement-Homeland Security Investigations training endeavors. Significant improvement, regarding the extent and quality of routine coordination occurring between the MCTF and FIU, was achieved in 2010. OTA also helped prepare the Afghan Government for the IMF mutual evaluation of its AML/CFT regime. OTA placed a third advisor in the supervision department of Afghanistan's Central Bank (DAB) to provide mentoring on hawala licensing and bank and hawala examination procedures. This advisor has developed and conducted training on bank AML/CFT inspection procedures for DAB staff.

OTA placed a new resident advisor in Kosovo in early 2010. The OTA resident advisor provided assistance in the drafting and reviewing of Kosovo's Law on the Prevention of Money Laundering and Terrorist Financing, which was passed by Parliament and subsequently signed by the President in November 2010. OTA continues to provide mentoring, advice, and other development assistance to FIU management, analysts and other staff. OTA initiated a working group to develop a Suspicious Activities Report awareness training program that will be delivered to Kosovo's financial institutions.

The resident advisor in the Mekong Region continued to deliver resident-based TA to Vietnam, Cambodia, and Laos according to assessed needs in each jurisdiction.

**Western Hemisphere:** During 2010 OTA substantially increased its presence in the Western Hemisphere, placing resident advisors in Mexico (March), Costa Rica (June), Guatemala

(August), and Honduras (September). In Mexico, OTA continued its work with that country's law enforcement community providing Financial Investigative Techniques as well as workshops to foment interagency coordination in advanced money laundering investigations. Additionally, OTA began work in earnest with Mexico's Tax and National Bank authorities in the development of a supervisory regime for money remitters. OTA continued its work with the FIUs of Mexico and Uruguay by providing training seminars and mentoring.

OTA's resident advisor in Paraguay continued work with Customs to enhance its capacity to fight smuggling and tax evasion, and the undervaluation and under-registration of goods, improve its internal control and investigation capability and, as a result, reduce corruption in the customs sector. Controls over the importation and exportation of goods have been substantially enhanced; opportunities for corruption substantially decreased; and, customs revenues have increased. OTA also continued work in Paraguay to help that country's FIU renew and stand up its IT system.

### **AML/CFT Training**

OTA specialists delivered AML/CFT courses and other advice-based services to government and private sector stakeholders in a number of countries. Course topics included money laundering and financial crimes investigations; identification and development of local and international sources of information; operations and regulation of banks and non-bank financial institutions and the gaming sector, including record keeping; investigative techniques; financial analysis techniques; forensic evidence; computer assistance and criminal analysis; interviewing; case development, planning, and organization; report writing; and, with the assistance of local legal experts, rules of evidence, mutual legal assistance and cooperation, search, and seizure, and asset seizure and forfeiture procedures.

In Sao Tome and Principe OTA continues implementation of an MCC-funded project with customs authorities to modernize operations. Efforts have led to the passage of a modern and internationally compliant Customs law, and work is progressing on installing a modern automated system to improve the processing, transparency, and security of goods moving through the seaport and airport, and improving infrastructure and capacity to execute customs operations, including inspection and counter smuggling.

In Algeria, Palestine, and Saudi Arabia advisors provided technical assistance to enhance the operational capacity of FIUs. This assistance involved institutional building, analytical training, IT assessments, budget and facilities development, strategy development, legislative review, regulation drafting, mentoring, cross border monitoring and outreach to public and private institutions on AML/CFT responsibilities. During 2010, OTA worked with prosecutors from the Palestinian Attorney General's office providing mentoring in complex financial crimes cases. A Financial Investigative Techniques Course (FIT) was conducted for the Saudi Arabia FIU and other officials in September 2010. A regional FIU workshop focusing on the FIU relationship with law enforcement and international cooperation was conducted for officials from Jordan, Saudi Arabia, Egypt, Palestine Authority, Yemen, and Iraq in September 2010. A study tour visit was organized for Jordanian FIU officials to visit the Lebanese Special Investigation Commission (SIC), Lebanon's FIU.

A regional Middle East North Africa AML/CFT training project, initiated in 2007 and funded by USAID, concluded in September 2010 after conducting eight major regional events covering topics such as corruption, bulk cash smuggling, task force investigations, financial analysis, financial investigations, targeted economic sanctions, FIU operations and international cooperation. Approximately 235 individuals participated in these training events.

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In Vietnam, suspicious activity reporting training was delivered to compliance and executive staff of all 84 licensed banks, AML examination training was delivered to the State Bank of Vietnam, and mentoring was delivered to FIU staff. Development of internal financial investigation training curricula commenced with OTA assistance at the Ministry of Public Security's Police Academy, as well as at the State Customs Academy. In Cambodia, OTA is assisting with development of an electronic reporting system for suspicious activity and large cash transaction reports. In Laos, OTA conducted a legislative assessment with the Laotian Anti-Money Laundering Intelligence Unit (AMLIU). OTA assisted Laos in preparing for its APG mutual evaluation, funding translation of the mutual evaluation questionnaire and other key documents, and delivering preparatory training for completion of the questionnaire in conjunction with APG and UNODC.

In Georgia, OTA conducted a FIT course for law enforcement investigators and prosecutors. Due to the high level of interest, OTA delivered three separate FIT courses and two separate Advanced Money Laundering Analysis courses to Kosovo's enforcement and regulatory agencies. Technical assistance was provided to the Kosovo Tax Administration in drafting the criminal tax amendment and OTA is also assisting in drafting the new criminal tax procedures manual.

In the Americas during 2010, OTA delivered technical assistance in Argentina, Costa Rica, El Salvador, Guatemala, Haiti, Honduras, Mexico, Paraguay, and Uruguay. In Argentina, OTA delivered a workshop focused on money laundering through the Securities Sector to staff of the National Banking and Securities Commission, Argentine prosecutors, financial crimes investigators and FIU staff members plus Uruguayan officials. In Uruguay, OTA led a workshop focused on the Enterprise Theory of Investigation for Organized Crime; there were participants from Paraguay. OTA also continued to work closely with the Mexican tax authority and the Mexican banking securities supervisor to assist their efforts to develop a regulatory and supervisory regime for money service businesses. In Haiti, OTA continued its program to assist the Government of Haiti draft reforms for its outdated Criminal and Criminal Procedural and Tax Codes, as well provide continued training and mentoring for analysts at its financial intelligence unit and analysts, investigators and prosecutors in a companion financial crimes investigative task force unit. Finally, OTA continued its work in the IT area, assisting the Haiti FIU in its efforts to obtain appropriate IT systems to receive reports from obligated entities.

OTA continued to offer train-the-trainer courses throughout its programs so that the basic skills taught in investigative courses can be passed on by the recipients to their agency colleagues.

### **Financial Analysis Techniques Training**

Globally, OTA delivered the Financial Analysis Training Course (FATC) to analysts in the financial intelligence units of Georgia, Jordan, Kosovo, Mexico, Pakistan, Singapore, Uruguay, and Vietnam. Regional training co-sponsored with the IMF in Singapore included participants from Cambodia, Indonesia, Laos, Malaysia, Nepal, Pakistan, Thailand, and Vietnam.

Looking forward, and in response to a demand for advanced training, OTA continued development of its Advanced FATC, adding modules on: corruption; international cooperation; the black market peso exchange system; advanced transactional analysis and targeting. In anticipation of using these and other FATC modules in Central America, the foregoing materials have been translated into Spanish. OTA is working on translating these same materials into French for use in francophone Africa. This course was presented to analysts from Jordan, Kosovo, Palestine and Vietnam.

### **Casinos and Gaming**

In 2010 the Casino Gaming Group (CGG) experts from OTA's Economic Crimes program provided technical assistance to the international community in the area of gaming industry regulation. The CGG provides assistance in the drafting of gaming legislation and implementing regulations, and trains gaming regulators and FIU personnel to develop the capacity for implementing AML programs, conduct pre-licensing investigations, and audit and inspect casino operations and all games of chance.

In 2010 the CGG followed up on assistance provided in 2009 to both Costa Rica and Guatemala in the creation of draft gaming laws. In both countries the draft laws are before the National Assemblies and, in 2010, CGG advisors worked with both governments and legislators resolving issues and answering questions. It is anticipated that both laws will be enacted in 2011. In the current form both laws would meet international standards. Additionally, meetings have been held with regulators in Argentina, Ecuador and Mexico to work toward enhancing gaming regulations.

The draft Kosovo Law on Games of Chance was submitted to the Minister, Ministry of Economy and Finance in February 2010. The CGG worked extensively with the Ministry in the creation of this law. Following subsequent submission and review of alternative proposals, a meeting between OTA and Kosovar authorities is scheduled for January 2011 to finalize the law for presentation to the Minister.

CGG conducted assessments of the casino regulatory systems and gaming laws in Armenia and Georgia.

### **Insurance**

In 2010 OTA in conjunction with the New York Insurance Commission provided separate week long insurance fraud training courses to insurance regulators in Egypt and Jordan. This followed assistance to the Egypt Insurance Supervisory Authority (EISA) in planning and conducting its first insurance AML/CFT examination.

## **Treaties and Agreements**

### **Treaties**

Mutual Legal Assistance Treaties (MLATs) allow generally for the exchange of evidence and information in criminal and related matters. In money laundering cases, they can be extremely useful as a means of obtaining banking and other financial records from our treaty partners. MLATs, which are negotiated by the Department of State in cooperation with the Department of Justice to facilitate cooperation in criminal matters, are in force with the following countries: Antigua & Barbuda, Argentina, Australia, Austria, the Bahamas, Barbados, Belgium, Belize, Brazil, Canada, Cyprus, Czech Republic, Dominica, Egypt, Estonia, France, Germany, Greece, Grenada, Hong Kong, Hungary, India, Ireland, Israel, Italy, Jamaica, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malaysia, Mexico, Morocco, the Kingdom of the Netherlands (including Aruba, Curacao, and St. Maarten), Nigeria, Panama, Philippines, Poland, Romania, Russia, St. Lucia, St. Kitts & Nevis, St. Vincent & the Grenadines, South Africa, South Korea, Spain, Sweden, Switzerland, Thailand, Trinidad & Tobago, Turkey, Ukraine, United Kingdom (including the Isle of Man, Cayman Islands, Anguilla, British Virgin Islands, and Montserrat), Uruguay, and Venezuela. In addition, on February 1, 2010, 27 U.S.-EU Instruments/Agreements/Protocols entered into force that either supplemented existing MLATs



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or created new mutual legal assistance relationships between the United States and every member of the EU. Mutual legal assistance agreements have been signed by the United States but not yet brought into force with the following countries: Algeria, Bermuda, and Colombia. The United States is engaged in negotiating additional MLATs with countries around the world. The United States also has signed and ratified the Inter-American Convention on Mutual Legal Assistance of the Organization of American States, the United Nations Convention against Corruption, the United Nations Convention Against Transnational Organized Crime, the International Convention for the Suppression of the Financing of Terrorism and the 1988 UN Drug Convention.

### Agreements

In addition to MLATs, the United States has entered into executive agreements on forfeiture cooperation, including: (1) an agreement with the United Kingdom providing for forfeiture assistance and asset sharing in narcotics cases; (2) a forfeiture cooperation and asset sharing agreement with the Kingdom of the Netherlands; and (3) a drug forfeiture agreement with Singapore. The United States has asset sharing agreements with Canada, the Cayman Islands (which was extended to Anguilla, British Virgin Islands, Montserrat, and the Turks and Caicos Islands), Colombia, Ecuador, Jamaica, Mexico, and Monaco.

Treasury's Financial Crimes Enforcement Network (FinCEN) has a Memorandum of Understanding (MOU) or an exchange of letters in place with other financial intelligence units (FIUs) to facilitate the exchange of information between FinCEN and the respective country's FIU. FinCEN has an MOU or an exchange of letters with the FIUs in Albania, Argentina, Aruba, Australia, Belgium, Bermuda, Bulgaria, Canada, Cayman Islands, Chile, Columbia, Croatia, Cyprus, France, Guatemala, India, Indonesia, Italy, Japan, Macedonia, Malaysia, Mexico, Montenegro, Moldova, the Netherlands, Netherlands Antilles, Panama, Paraguay, Peru, Philippines, Poland, Romania, Russia, Serbia, Singapore, Slovenia, South Africa, South Korea, Spain, the Money Laundering Prevention Commission of Taiwan and the United Kingdom.

### Asset Sharing

Pursuant to the provisions of U.S. law, including 18 U.S.C. § 981(i), 21 U.S.C. § 881(e)(1)(E), and 31 U.S.C. § 9703(h)(2), the Departments of Justice, State, and Treasury have aggressively sought to encourage foreign governments to cooperate in joint investigations of narcotics trafficking and money laundering, offering the possibility of sharing in forfeited assets. A parallel goal has been to encourage spending of these assets to improve narcotics-related law enforcement. The long term goal has been to encourage governments to improve asset forfeiture laws and procedures so they will be able to conduct investigations and prosecutions of narcotics trafficking and money laundering that include asset forfeiture. To date, the Bahamas, Canada, Cayman Islands, Hong Kong, Jersey, Liechtenstein, Luxembourg, Singapore, Switzerland, and the United Kingdom have shared forfeited assets with the United States.

From 1989 through October 2010, the international asset sharing program, administered by the Department of Justice, shared \$233,042,355 with 36 foreign governments that cooperated and assisted in investigations. In 2010, the Department of Justice agreed to transfer \$2,946,237 in forfeited proceeds to the Government of United Mexican States. Prior recipients of shared assets include: Anguilla, Antigua and Barbuda, Argentina, the Bahamas, Barbados, British Virgin Islands, Canada, Cayman Islands, Colombia, Costa Rica, Dominican Republic, Ecuador, Egypt, Germany, Greece, Guatemala, Guernsey, Honduras, Hong Kong, Hungary, Indonesia, Isle of

Man, Israel, Jordan, Liechtenstein, Luxembourg, Netherlands Antilles, Paraguay, Peru, Romania, South Africa, Switzerland, Thailand, Turkey, the United Kingdom, and Venezuela.

From Fiscal Year (FY) 1994 through FY 2010, the international asset-sharing program administered by the Department of Treasury shared \$30,321,113 with foreign governments that cooperated and assisted in successful forfeiture investigations. In FY 2009, the Department of Treasury transferred \$1,500.235 in forfeited proceeds to Vietnam (\$12,882), Japan (\$381,608), Brazil (\$1,038,976), Malta (\$50,000) and Canada (\$16,768.46). Prior recipients of shared assets include: Aruba, Australia, the Bahamas, Cayman Islands, Canada, China, Dominican Republic, Egypt, Guernsey, Honduras, Isle of Man, Jersey, Mexico, Netherlands, Nicaragua, Panama, Portugal, Qatar, St. Vincent & the Grenadines, Switzerland, and the United Kingdom.

## **Multi-Lateral Organizations & Programs**

### ***The Financial Action Task Force (FATF) and FATF-Style Regional Bodies (FSRBs)***

#### ***The Financial Action Task Force (FATF)***

The Financial Action Task Force (FATF) is an inter-governmental body whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing. The FATF was created in 1989 and works to generate legislative and regulatory reforms in these areas. The FATF currently has 36 members, comprising 34 member countries and territories and two regional organizations, as follows: Argentina, Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Iceland, India, Ireland, Italy, Japan, Luxembourg, Mexico, The Netherlands, New Zealand, Norway, Peoples Republic of China, Portugal, Republic of Korea, Russian Federation, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, United Kingdom, the United States, the European Commission and the Gulf Cooperation Council. FATF admitted India in June 2010.

There are also a number of FATF-style regional bodies that, in conjunction with the FATF, constitute an affiliated global network to combat money laundering and the financing of terrorism.

#### ***The Asia/Pacific Group on Money Laundering (APG)***

The Asia/Pacific Group on Money Laundering (APG) was officially established in February 1997 at the Fourth (and last) Asia/Pacific Money Laundering Symposium in Bangkok as an autonomous regional anti-money laundering body. The 40 APG members are as follows: Afghanistan, Australia, Bangladesh, Brunei Darussalam, Burma, Cambodia, Canada, Chinese Taipei, Cook Islands, Fiji, Hong Kong, India, Indonesia, Japan, Laos, Macau, Malaysia, Maldives, Marshall Islands, Mongolia, Nauru, Nepal, New Zealand, Niue, Pakistan, Palau, Papua New Guinea, Philippines, People's Republic of China, Samoa, Singapore, Solomon Islands, South Korea, Sri Lanka, Thailand, Timor Leste, Tonga, United States, Vanuatu, and Vietnam.

#### ***The Caribbean Financial Action Task Force (CFATF)***

The Caribbean Financial Action Task Force (CFATF) was established in 1992. CFATF has 29 members: Anguilla, Antigua & Barbuda, Aruba, The Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Curacao, Dominica, Dominican Republic, El Salvador,

Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Montserrat, Nicaragua, St. Kitts & Nevis, St. Lucia, St. Maarten, St. Vincent & the Grenadines, Suriname, Trinidad & Tobago, Turks & Caicos Islands, and Venezuela. In 2010, Costa Rica and Panama left the group, and, in November 2010, Curacao and St. Maarten become individual members after the dissolution of the Netherlands Antilles.

### ***The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL)***

The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) was established in 1997 under the acronym PC-R-EV. MONEYVAL is comprised of 28 permanent members; two temporary, rotating members; and one active observer. The permanent members are Albania, Andorra, Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Latvia, Liechtenstein, Lithuania, Malta, Moldova, Monaco, Montenegro, Poland, Romania, Russian Federation, San Marino, Serbia, Slovakia, Slovenia, the Former Yugoslav Republic of Macedonia, and Ukraine. The active observer is Israel. Temporary members, designated by the FATF for a two-year membership, are currently Austria and the United Kingdom.

### ***The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)***

The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) was established in 1999. Fourteen countries comprise its membership: Botswana, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe.

### ***The Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG)***

The Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) was established in 2004, and has nine members: Belarus, India, Kazakhstan, Kyrgyzstan, People's Republic of China, Russian Federation, Tajikistan, Turkmenistan and Uzbekistan. India and Turkmenistan became the newest members of the group in 2010.

### ***The Financial Action Task Force on Money Laundering in South America (GAFISUD)***

The Financial Action Task Force on Money Laundering in South America (GAFISUD) was formally established in 2000 by the ten original member states of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru and Uruguay. Costa Rica and Panama joined the group in 2010, bringing total membership to 12.

### ***Inter-Governmental Action Group against Money Laundering in West Africa (GIABA)***

The Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) was formally established in 1999. GIABA consists of 15 countries: Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo.

### ***The Middle East and North Africa Financial Action Task Force (MENAFATF)***

The Middle East and North Africa Financial Action Task Force (MENAFATF) was formally established in 2004. MENAFATF has 18 members: Algeria, Bahrain, Egypt, Iraq, Jordan,

Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates, and Yemen.

### ***The Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Group of Experts to Control Money Laundering***

The Organization of American States, through its Inter-American Drug Abuse Control Commission (OAS/CICAD), is responsible for combating illicit drugs and related crimes, including money laundering. In 2010, CICAD continued to carry out its activities in anti-money laundering and combating the financing of terrorism (AML/CFT) throughout Latin America and the Caribbean. CICAD's AML/CFT training programs seek to improve and enhance the knowledge and capabilities of judges, prosecutors, public defenders, law enforcement agents, and financial intelligence unit (FIU) analysts. The U.S. Department of State Bureau of International Narcotics and Law Enforcement Affairs (INL) provided full or partial funding for many of the CICAD training programs in 2010.

#### **Expert Group**

The expert group, which met twice in 2010, has two working groups: one dealing with seizure and forfeiture of assets and their management, coordinated by Costa Rica, and another that deals with coordination and integration of law enforcement agencies and financial intelligence units (FIUs), coordinated by Chile. The two groups deliberated and met in plenary to deal with building consensus on proposals to put before the full CICAD Commission. Discussion also focused on streamlining working group methodology and strategic planning. The expert group designated Uruguay as its representative in a regional initiative to draft model legislation on seized and forfeited assets for the region, sponsored by the United Nations Office on Drugs and Crime (UNODC)-Colombia.

#### **Seized and Forfeited Assets**

After completing the project's two-year pilot phase in Argentina, Chile and Uruguay in December 2009, the Seized and Forfeited Assets Management Program of Latin America (BIDAL, from the Spanish acronym) project shifted to a different regional focus, working with the governments of the Dominican Republic, El Salvador, Guatemala, and Panama to implement asset recovery management programs. As an initial step for each of these four countries, the project carried out an assessment of existing legislation on asset investigation and seized and forfeited asset administration systems before determining the work plan for each country. The CICAD Executive Secretariat worked to help member states implement the guidelines and recommendations that have emerged from the BIDAL project and the Expert Group, on topics such as the recovery of stolen assets, asset tracing, capital asset investigations, mutual legal assistance (MLA), and asset management. The CICAD Executive Secretariat has also drawn on the asset management expertise of the US Marshalls, the National Narcotics Directorate of Colombian and the Costa Rican Institute on Drugs.

#### **Capacity Building**

The Anti-Money Laundering Section organized a total of 17 seminars and workshops in 14 countries in 2010, training nearly 700 judges, prosecutors, law enforcement officers, financial intelligent unit analysts and forfeited assets administration officers, among other participants. It partnered with the UNODC, the Stolen Assets Recovery (StAR) Initiative of the World Bank, the

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World Bank Institute, the Ministry of Interior of the Government of Spain and INL of the Department of State, as well as the OAS's Inter-American Committee Against Terrorism (CICTE) and the governments of CICAD member states.

CICAD also coordinated with the UNODC Legal Assistance Program for Latin America and the Caribbean (LAPLAC/UNODC), INTERPOL, and the South American Financial Action Task Force (GAFISUD) in setting up the Asset Recovery Network of GAFISUD (RRAG per its Spanish abbreviation) as a vehicle for exchanging information about the identification and recovery of assets, products or instruments of transnational illicit activities. This initiative is based on the guidelines of the CARIN Network (CAMDEN Assets Recovery Inter-Agency Network in Europe).

The Anti-Money Laundering section continued with its project backed by LAPLAC/UNODC, the Government of Spain and INL to train judges, prosecutors, police investigators, and financial analysts through mock trials and investigations of money laundering cases. Costa Rica, Dominican Republic, El Salvador, Guatemala, Nicaragua and Panama benefited from the program in 2010.

Joint efforts with the OAS CICTE and UNODC (Vienna), funded by INL, among others, led to two regional workshops in 2010 on the financing of terrorism for legislators, prosecutors, police and financial analysts in Costa Rica (six countries) and The Bahamas (13 countries). CICAD joined follow-up missions with CICTE and UNODC to Bolivia, Costa Rica, Ecuador and Paraguay to discuss implementation of legislation and adjustments in law enforcement.

The Narcotics Affairs Section of the U.S. Embassy in Lima underwrote a comprehensive program to train Peruvian judges, prosecutors, public defenders, law enforcement officers and financial analysts in the techniques and tools for dealing with money laundering and the financing of terrorism. Workshops were held on special investigation techniques, incriminating evidence, and the analysis of financial links and relationships. The Section is also working to develop a methodological plan of investigation for prosecutors and investigators, as well as holding mock investigations and mock trials to give participants hands-on experience. In December, the Superintendence of Banks and Insurance of Peru signed an agreement with the CICAD Executive Secretariat to establish a training center specialized in the control of money laundering and the financing of terrorism.

### ***Pacific Anti-Money Laundering Program (PALP)***

The Pacific Anti-Money Laundering Program (PALP), which commenced in September 2006, is a joint initiative between the UN Office on Drugs and Crime (UNODC) and the U.S. Department of State. The PALP was conceived by and is funded by the U.S. Department of State's Bureau for International Narcotics and Law Enforcement Affairs. The PALP is a regional technical assistance and training program designed to assist the 14 members of the Pacific Islands Forum that are not also members of the Financial Action Task Force (FATF) in establishing, implementing and strengthening their anti-money laundering and combating the financing of terrorism (AML/CFT) regimes. The 14 members of the Pacific Islands Forum that receive PALP assistance are the Cook Islands, the Federated States of Micronesia, Fiji, Kiribati, the Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. The PALP is coordinated and managed by the United Nations Office on Drugs and Crime, Global Programme against Money Laundering, Proceeds of Crime and the Financing of Terrorism (GPML).

The PALP uses resident in-country mentors and intermittent mentors who visit participating jurisdictions to provide tailor-made advice and assistance on establishing viable AML/CFT regimes, including assistance with legal, law enforcement, regulatory, and financial intelligence unit (FIU) development. PALP's strength lies in the extensive knowledge and years of operational experience of each of the mentors. This wealth of experience means that the PALP mentors are ideally positioned to give participating countries sound advice based upon expert knowledge and practical know-how.

In 2010, the PALP continued to provide assistance on a wide range of AML/CFT issues, including legislative drafting, capacity building, and very importantly, case support. During 2010 a number of jurisdictions passed or amended their AML/CFT legislations and/or regulations. National trainings were also conducted for FIU staff, prosecutors, customs officers and law enforcement officials.

The PALP works in close cooperation with the Asia/Pacific Group against Money Laundering (APG) in order to coordinate delivery of technical assistance and training to jurisdictions that are both APG members and PALP participants. The PALP law enforcement mentor made presentations during the regional training in Kuala Lumpur on Strategic Implementation Planning. This training was supported by APG, Malaysia and Canada, and was provided to 25 FIU personnel, prosecutors, and investigators.

### **Case Support**

Strong case support was provided in Palau. Assistance was provided by three GPML mentors to the Assistant Attorney General, the Attorney General and the Independent Counsel in relation to and at different stages of ongoing investigations surrounding the collapse of a major bank in Palau. Case support also took place in other jurisdictions. Mentoring investigators and prosecutors is an effective way to ensure that the new knowledge and skills gained through attendance at formal training events is put into operation. Coaching by the PALP mentors builds confidence within officials who are charged with undertaking money laundering investigations and prosecutions.

PALP will continue to provide an on-site and intermittent support to a number of Pacific countries with a focus on Cook Islands; the Republic of Marshall Islands; Samoa; the Kingdom of Tonga; and Vanuatu. The Program will continue to deliver its technical assistance and training efforts on AML/CFT through the work of its FIU mentor, regulatory mentor and legal mentor. Many countries now have legislation in place and have officers trained in basic identification and investigation of AML/CFT related crimes. PALP will focus its work on assisting responsible agencies to undertake successful investigations and prosecutions and to confiscate criminal assets as well as development of AML/CFT supervision programs. The Program is expected to conclude in the third quarter of 2011.

## ***United Nations Global Programme against Money Laundering, Proceeds of Crime, and the Financing of Terrorism (GPML)***

The United Nations is one of the most experienced global providers of anti-money laundering (AML) training and technical assistance and, since 9-11, countering financing of terrorism (CFT) training and technical assistance. The United Nations Global Programme against Money Laundering, Proceeds of Crime and the Financing of Terrorism (GPML), part of the United Nations Office on Drugs and Crime (UNODC), was established to assist member states to

comply with the UN Conventions and other instruments that deal with money-laundering and terrorist financing. These now include the United Nations Convention against Traffic in Narcotic Drugs and Psychotropic Substances (the 1988 Vienna Convention), the United Nations International Convention for the Suppression of the Financing of Terrorism (the 1999 Convention), the United Nations Convention against Transnational Organized Crime (the 2000 Palermo Convention), and the United Nations Convention against Corruption (the 2003 Merida Convention).

In March 2008, GPML's scope and objectives were widened to meet the growing needs and demands of the international community for tailor-made assistance in the effective implementation of these UN instruments and other international anti-money laundering/countering the financing of terrorism (AML/CFT) standards, and to use AML/CFT systems as effective tools to achieve better financial transparency, integrity and good governance, thereby increasing investment prospects. GPML elaborated an ambitious program to make international action against the proceeds of crime and illegal financial flows more effective. This is done through a wide range of technical assistance measures and in close partnership with regional or multilateral organizations.

GPML is the focal point for AML policy and activities within the UN system and a key player in strengthening efforts to counter terrorist financing. GPML provides technical assistance and training in the development of related legislation, infrastructure and skills, directly assisting member states in the detection, seizure, and confiscation of illicit proceeds. Since 2001, GPML's technical assistance work on CFT has also received priority. GPML now incorporates a focus on CFT in all its technical assistance work, in particular its financial investigations and financial analysis training tools.

In 2010, GPML provided long-term assistance in the development of viable AML/CFT regimes in six regions, to 44 countries. GPML also delivered 26 training events worldwide, in partnership with other agencies and organizations where possible; and trained 1,250 representatives of law enforcement agencies, financial intelligence units (FIUs), judicial authorities and reporting entities.

An independent evaluation of GPML was conducted throughout the second half of 2010. The evaluators concluded that GPML "has been successful in influencing the adoption of national legislation and the establishment of law enforcement institutions and procedures through its mentoring, training and information support systems."

### **The Mentoring Program**

GPML's mentoring program is one of the most successful and well-known activities of international AML/CFT technical assistance and training, and is increasingly serving as a model for other organizations' initiatives. It is one of the core activities of the GPML technical assistance program and is highly regarded by the AML/CFT community. The GPML Mentoring Program provides targeted on-the-job training that adapts international standards to specific local/national situations, rather than the traditional training seminar. GPML provides experienced prosecutors and law enforcement personnel who work side-by-side with their counterparts in a target country for several months at a time on daily operational matters to help develop capacity. By giving in-depth support upon request, the mentors have gained the confidence of the recipient institutions, which enables the achievement of concrete and significant outputs. In many countries, GPML mentors are the only locally placed AML/CFT experts, hence they are heavily relied upon by local offices of donor countries and organizations for advice in the creation and delivery of other donor AML/CFT projects.

The GPML Asset Forfeiture Mentor based in the Prosecutor General's Office of Namibia provides assistance for the development and strengthening of asset forfeiture mechanisms in Southern Africa. The mentor continued to monitor the Prosecutor Placement Program, an initiative aimed at placing prosecutors from the region for a certain period of time within the Asset Forfeiture Unit of the National Prosecuting Authority (NPA) in South Africa. In 2010, two Namibian prosecutors were successfully placed, impacting positively on the management of large corruption cases in Namibia. In Botswana, a multi-agency agreement on new confiscation legislation has been reached and in Zimbabwe, with mentor's assistance, agreement was reached to establish a specialized asset forfeiture unit within the office of the Director of Public Prosecution.

In West Africa, GPML's main achievements in 2010 include the strengthening of the FIU operational capacities in Côte d'Ivoire, Guinea Bissau, Mali, Senegal and Sierra Leone, through the delivery of both training and equipment; and outreach to reporting entities in Côte d'Ivoire and Mali. Activities were completed in coordination with the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA).

The World Bank/GPML mentor based in Hanoi continued to strengthen operational capacities in Vietnam, Laos, and Cambodia. In Laos, the mentor took part in the drafting of the memorandum of understanding (MOU) for exchange of intelligence between the FIU and other authorities. Also, following the delivery of financial investigation courses, the number of corruption cases being investigated in Vietnam has increased, and case management and witness handling techniques have been adopted in Cambodia.

In October 2008, GPML assumed the coordination and administration of the Pacific Anti-Money Laundering Program (PALP), which provides AML/CFT advice, training and technical assistance to support the establishment, development and implementation of AML/CFT systems to 14 Pacific Island Forum.

In collaboration with the World Bank, GPML continued providing support to their joint AML/CFT mentor for Central Asia. In 2010, the main focus of the mentor's work was capacity building related to the FIUs of Kazakhstan, Turkmenistan, Uzbekistan, and Tajikistan as well as domestic and international interagency cooperation. As a result of this work, the Kazakh FIU became an observer to the Egmont Group and the Uzbek FIU is also considering becoming an observer to the Egmont Group in 2011. In January 2010, Tajikistan established a FIU and with the mentor's assistance adopted its organizational structure and prepared a new draft AML/CFT law.

In Central America and the Caribbean, GPML contributed in 2010 to the Public-Private Partnership against Money Laundering. This innovative program, which is being piloted in Colombia, aims to integrate AML/CFT measures into business management. The alliance includes more than 20 members from the public (justice and regulators) and private (financial and commerce) sectors.

### **Mentoring & Financial Intelligence Units**

GPML mentors worked extensively on the development and the implementation phases of FIUs in several countries in the Eastern Caribbean; Western, Southern and Eastern Africa; the Pacific; Central Asia; and the Mekong region. A major initiative that could have global implications for many FIUs is the development by the UNODC Information Technology Service, with substantive inputs from GPML, of an analytical and integrated database and intelligence analysis system for operational deployment in FIUs, called goAML (<http://goaml.unodc.org>). It is an IT



solution for FIUs to manage their activities, particularly data collection, analysis, and dissemination. Version one of goAML is fully developed and is being installed in Namibia, Kosovo, Palestine, Nigeria, Tanzania, Bermuda, Denmark, Netherlands, Morocco and South Africa.

### **Financial Intelligence Unit Analyst Course**

GPML” Financial Intelligence Unit Analyst Course is an opportunity for FIU analysts to develop knowledge and skills in the analysis process and the development of financial intelligence. The course focuses on analysis of suspicious transactions related to possible money laundering and terrorist financing; and addresses relationships between the FIU and agencies responsible for investigation of money laundering and terrorist financing. In 2010, the training was delivered in the Maghreb region with the following participating countries: Mauritania, Morocco, Tunisia and Algeria.

### **Other GPML Initiatives**

**Mock Trials:** The AML/CFT Mock Trial Program is a key training activity, designed to support and enhance judiciary capacities in dealing with complex financial crime cases. Its long-term objective is also to develop a methodology and a prototype of mock trials that could be used in other developing countries. In 2010, GPML replicated the Latin American training in Kazakhstan and Cambodia.

**Financial Investigation Course:** GPML also developed a Financial Investigation Course that aims to provide an opportunity for investigators to develop their knowledge and skills in financial investigation and to raise awareness of terrorist financing and money laundering methods. This course has a practical focus and is designed upon legal and procedural processes in the country of training. It gives participants the opportunity to learn the legislative aspects of financial crime, understand their powers, conduct searches and undertake interviews. The training was delivered in Vietnam, Cambodia, and Tanzania in 2010.

**Illicit Financial Flows:** As part of the UNODC Rainbow Strategy, which aims to reduce the supply, trafficking and consumption of opiates in Afghanistan and neighboring countries, GPML took the lead since January 2008 in a new initiative on “Financial flows to and from Afghanistan linked to the illicit drug production and trafficking”. In 2010, GPML developed a questionnaire to assess the proportion of money flows to/from Afghanistan and determine the destination and transit countries involved in the financial flows derived from Afghan opiates production and trafficking.

GPML is also working on a study on the illicit financial flows linked to cocaine production and trafficking in West Africa, with a view to determining their possible destabilizing effect on regional economies.

**StAR:** In September 2007, UNODC and the World Bank launched the Stolen Asset Recovery (StAR) Initiative aimed at assisting developing countries to recover stolen assets that have been sent abroad by corrupt leaders. Given the close links between money laundering and corruption, and the fact that building an AML system forms an integral part of good governance policy and asset recovery strategy, GPML participated in the development of several knowledge products including the Study on Barriers to Return of Stolen Assets and the Handbook on Asset Recovery which were both finalized in 2010.

**Manual on Financial Instruments:** *The Manual for users and Employees of Financial Institutions on the Risks of Money laundering through Financial Instruments* was developed in

2009 jointly with the UNODC Legal Advisory Programme for Latin America and the Caribbean (LAPLAC). The English version of the Manual was launched at the 18<sup>th</sup> EGMONT Plenary 2010, the CFATF XXXI Plenary, and at the International Conference on Financial Crime and Terrorism Financing 2010. Training modules based on the Manual and addressed to judges and prosecutors, were held within the StAR initiative in Colombia and Argentina and the Mock Trials on Money Laundering Program held in Bolivia. The manual is available in Spanish and English versions; Russian and French versions are being developed.

**IMoLIN/AMLID:** AMOLIN is a one-stop AML/CFT research resource, which is administered and managed by GPML on behalf of eleven partner organizations. Within IMoLIN is the Anti-Money Laundering International Database (AMLID), a unique password-protected service cataloguing AML/CFT laws on a global basis in an easily searchable format. The database has a collection (and analysis) of legislation from 102 jurisdictions. AMLID also provides an overview of the status of a country or territory in relation to the international conventions applicable to AML/CFT as well as the status of a country or territory in relation to bilateral/multilateral treaties or agreements on mutual legal assistance in criminal matters and extradition.

**Cash Couriers:** In November 2010, GPML conducted an expert working group on cash couriers with participants from Interpol, OSCE, WCO as well as representatives of FIUs, customs and other government agencies from 12 jurisdictions. The meeting focused on the development of a training program to be employed in the course of technical assistance to countries which have basic legislative structures in place to deal with the cross-border movement of cash, but lack the structural awareness and experience to effectively intercept cash couriers.

**Development of AML/CFT Experts/Trainers:** GPML commenced its project to imbed AML/CFT curricula into police and prosecution training institutions. This initiative involves design and development of AML/CFT training modules and the development of national AML/CFT subject matter experts, through a series of train-the-trainer and technical workshops. The final workshop involves national trainers delivering the course. Bangladesh is the pilot country for this project.

**Computer Based Training:** The Computer Based Training (CBT) includes high-quality voice, pictures, graphics, interactive video and animation, simulation and student tests. The AML CBT training is currently available in ten languages: Spanish, French, Russian, Arabic, Chinese (Mandarin), Amharic, Bahasa, Thai, English, and Vietnamese. In 2010, GPML, in partnership with the British High Commission, funded the establishment of a new CBT centre in Fiji.

## Major Money Laundering Countries

Every year, U.S. officials from agencies with anti-money laundering responsibilities meet to assess the money laundering situations in 200 jurisdictions. The review includes an assessment of the significance of financial transactions in the country's financial institutions involving proceeds of serious crime, steps taken or not taken to address financial crime and money laundering, each jurisdiction's vulnerability to money laundering, the conformance of its laws and policies to international standards, the effectiveness with which the government has acted, and the government's political will to take needed actions.

The 2011 INCSR identifies money laundering priority jurisdictions and countries using a classification system that consists of three different categories: Jurisdictions of Primary Concern, Jurisdictions of Concern, and Other Jurisdictions Monitored.

## Money Laundering and Financial Crimes

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“Jurisdictions of Primary Concern” are those that are identified, pursuant to INCSR reporting requirements, as “major money laundering countries.” A major money laundering country is defined by statute as one “whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking.” However, the complex nature of money laundering transactions today makes it difficult in many cases to distinguish the proceeds of narcotics trafficking from the proceeds of other serious crime. Moreover, financial institutions engaged in transactions that involve significant amounts of proceeds from other serious crimes are vulnerable to narcotics-related money laundering. The category “Jurisdiction of Primary Concern” recognizes this relationship by including all countries and other jurisdictions whose financial institutions engage in transactions involving significant amounts of proceeds from all serious crimes. Thus, the focus in considering whether a country or jurisdiction should be included in this category is on the significance of the amount of proceeds laundered, not of the anti-money laundering measures taken. This is a different approach taken than that of the Financial Action Task Force’s International Cooperation Review Group (ICRG) exercise, which focuses on a jurisdiction’s compliance with stated criteria regarding its legal and regulatory framework, international cooperation, and resource allocations. A government (e.g., the United States or the United Kingdom) can have comprehensive anti-money laundering laws on its books and conduct aggressive anti-money laundering enforcement efforts but still be classified a “Primary Concern” jurisdiction. In some cases, this classification may simply or largely be a function of the size of the jurisdiction’s economy. In such jurisdictions, quick, continuous and effective anti-money laundering efforts by the government are critical.

All other countries and jurisdictions evaluated in the INCSR are separated into the two remaining groups, “Jurisdictions of Concern” and “Other Jurisdictions Monitored,” on the basis of several factors that may include: (1) whether the country’s financial institutions engage in transactions involving significant amounts of proceeds from serious crimes; (2) the extent to which the jurisdiction is or remains vulnerable to money laundering, notwithstanding its money laundering countermeasures, if any (an illustrative list of factors that may indicate vulnerability is provided below); (3) the nature and extent of the money laundering situation in each jurisdiction (e.g., whether it involves drugs or other contraband); (4) the ways in which the U.S. Government (USG) regards the situation as having international ramifications; (5) the situation’s impact on U.S. interests; (6) whether the jurisdiction has taken appropriate legislative actions to address specific problems; (7) whether there is a lack of licensing and oversight of offshore financial centers and businesses; (8) whether the jurisdiction’s laws are being effectively implemented; and (9) where U.S. interests are involved, the degree of cooperation between the foreign government and the USG. Additionally, given concerns about the increasing interrelationship between inadequate money laundering legislation and terrorist financing, terrorist financing is an additional factor considered in making a determination as to whether a country should be considered a “Jurisdiction of Concern” or an “Other Jurisdiction Monitored.” While the actual money laundering problem in jurisdictions classified as “Jurisdictions of Concern” is not as acute as in those considered to be of “Primary Concern,” they too must undertake efforts to develop or enhance their anti-money laundering regimes. Finally, while jurisdictions in the “Other Jurisdictions Monitored” category do not pose an immediate concern, it is nevertheless important to monitor their money laundering situations because, under certain circumstances, virtually any jurisdiction of any size can develop into a significant money laundering center.

### **Vulnerability Factors**

The current ability of money launderers to penetrate virtually any financial system makes every jurisdiction a potential money laundering center. There is no precise measure of vulnerability for

any financial system, and not every vulnerable financial system will, in fact, be host to large volumes of laundered proceeds. A checklist of what drug money managers reportedly look for, however, provides a basic guide. The checklist includes:

- Failure to criminalize money laundering for all serious crimes or limiting the offense to narrow predicates.
- Rigid bank secrecy rules that obstruct law enforcement investigations or that prohibit or inhibit large value and/or suspicious or unusual transaction reporting by both banks and nonbank financial institutions.
- Lack of or inadequate “know your customer” requirements to open accounts or conduct financial transactions, including the permitted use of anonymous, nominee, numbered or trustee accounts.
- No requirement to disclose the beneficial owner of an account or the true beneficiary of a transaction.
- Lack of effective monitoring of cross-border currency movements.
- No reporting requirements for large cash transactions.
- No requirement to maintain financial records over a specific period of time.
- No mandatory requirement to report suspicious transactions or a pattern of inconsistent reporting under a voluntary system and a lack of uniform guidelines for identifying suspicious transactions.
- Use of bearer monetary instruments.
- Well-established non-bank financial systems, especially where regulation, supervision, and monitoring are absent or lax.
- Patterns of evasion of exchange controls by legitimate businesses.
- Ease of incorporation, in particular where ownership can be held through nominees or bearer shares, or where off-the-shelf corporations can be acquired.
- No central reporting unit for receiving, analyzing, and disseminating to the competent authorities information on large value, suspicious or unusual financial transactions that might identify possible money laundering activity.
- Lack of or weak bank regulatory controls, or failure to adopt or adhere to Basel Committee’s “Core Principles for Effective Banking Supervision,” especially in jurisdictions where the monetary or bank supervisory authority is understaffed, under-skilled or uncommitted.
- Well-established offshore financial centers or tax-haven banking systems, especially jurisdictions where such banks and accounts can be readily established with minimal background investigations.
- Extensive foreign banking operations, especially where there is significant wire transfer activity or multiple branches of foreign banks, or limited audit authority over foreign-owned banks or institutions.
- Jurisdictions where charitable organizations or alternative remittance systems, because of their unregulated and unsupervised nature, are used as avenues for money laundering or terrorist financing.

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- Limited asset seizure or confiscation authority.
- Limited narcotics, money laundering, and financial crime enforcement, and lack of trained investigators or regulators.
- Jurisdictions with free trade zones where there is little government presence or other supervisory authority.
- Patterns of official corruption or a laissez-faire attitude toward business and banking communities.
- Jurisdictions where the U.S. dollar is readily accepted, especially jurisdictions where banks and other financial institutions allow dollar deposits.
- Well-established access to international bullion trading centers in New York, Istanbul, Zurich, Dubai, and Mumbai.
- Jurisdictions where there is significant trade in or export of gold, diamonds, and other gems.
- Jurisdictions with large parallel or black market economies.
- Limited or no ability to share financial information with foreign law enforcement authorities.

## **Changes in INCSR Priorities for 2011**

Jurisdictions moving from the “Jurisdiction of Concern” column to the “Primary Concern” column:

British Virgin Islands and Iraq

New jurisdiction in “Primary Concern” column (first time in report):

Somalia

Jurisdictions moving from the “Other Jurisdictions Monitored” column to the “Jurisdiction of Concern” column:

Kazakhstan, Kosovo, and Montenegro

Jurisdiction moving from the “Jurisdiction of Concern” column to the “Other Jurisdictions Monitored” column:

Uzbekistan

New jurisdiction in “Other Jurisdictions Monitored” column (first time in report):

Sudan

In the Country/Jurisdiction Table on the following page, “major money laundering countries” that are in the “Jurisdictions of Primary Concern” category are identified for purposes of INCSR statutory reporting requirements. Identification as a “major money laundering country” is based on whether the country or jurisdiction’s financial institutions engage in transactions involving significant amounts of proceeds from serious crime. It is not based on an assessment of the country or jurisdiction’s legal framework to combat money laundering; its role in the terrorist financing problem; or the degree of its cooperation in the international fight against money laundering, including terrorist financing. These factors, however, are included among the vulnerability factors when deciding whether to place a country or jurisdiction in the “Jurisdictions of Concern” or “Other Jurisdictions Monitored” category.

*Note: Country reports are provided for only those countries and jurisdictions listed in the “Primary Jurisdictions of Concern” category.*

# Money Laundering and Financial Crimes

## *Countries and Jurisdictions Table*

Countries/Jurisdictions of Primary Concern		Countries/Jurisdictions of Concern		Other Countries/Jurisdictions Monitored	
Afghanistan	Liechtenstein	Albania	Moldova	Andorra	Madagascar
Antigua and Barbuda	Luxembourg	Algeria	Monaco	Anguilla	Malawi
Australia	Macau	Angola	Montenegro	Armenia	Maldives
Austria	Mexico	Argentina	Morocco	Benin	Mali
Bahamas	Netherlands	Aruba	Nicaragua	Bermuda	Malta
Belize	Nigeria	Azerbaijan	Palau	Bots wana	Marshall Islands
Bolivia	Pakistan	Bahrain	Peru	Brunei	Mauritania
Brazil	Panama	Bangladesh	Poland	Burkina Faso	Mauritius
British Virgin Islands	Paraguay	Barbados	Portugal	Burundi	Micronesia FS
Burma	Philippines	Belarus	Qatar	Cameroon	Mongolia
Cambodia	Russia	Belgium	Romania	Cape Verde	Montserrat
Canada	Singapore	Bosnia and Herzegovina	Samoa	Central African Republic	Mozambique
Cayman Islands	Somalia	Bulgaria	Saudi Arabia	Chad	Namibia
China, People Rep	Spain	Chile	Senegal	Congo, Dem Rep of	Nauru
Colombia	Switzerland	Comoros	Serbia	Congo, Rep of	Nepal
Costa Rica	Taiwan	Cook Islands	Seychelles	Croatia	New Zealand
Cyprus	Thailand	Cote d'Ivoire	Sierra Leone	Cuba	Niger
Dominican Republic	Turkey	Curacao	Slovakia	Denmark	Niue
France	Ukraine	Czech Rep	South Africa	Djibouti	Norway
Germany	United Arab Emirates	Ecuador	St. Kitts & Nevis	Dominica	Oman
Greece	United Kingdom	Egypt	St. Lucia	East Timor	Papua New Guinea
Guatemala	United States	El Salvador	St. Maarten	Equatorial Guinea	Rwanda
Guernsey	Uruguay	Ghana	St. Vincent	Eritrea	San Marino
Guinea-Bissau	Venezuela	Gibraltar	Suriname	Estonia	Sao Tome & Principe
Haiti	Zimbabwe	Grenada	Syria	Ethiopia	Slovenia
Hong Kong		Guyana	Tanzania	Fiji	Solomon Islands
India		Honduras	Trinidad and Tobago	Finland	Sri Lanka
Indonesia		Hungary	Turks and Caicos	Gabon	Sudan
Iran		Ireland	Vanuatu	Gambia	Swaziland
Iraq		Jamaica	Vietnam	Georgia	Sweden
Isle of Man		Jordan	Yemen	Guinea	Tajikistan
Israel		Kazakhstan		Iceland	Togo
Italy		Korea, North		Kyrgyz Republic	Tonga
Japan		Korea, South		Lesotho	Tunisia
Jersey		Kosovo		Liberia	Turkmenistan
Kenya		Kuwait		Libya	Uganda
Latvia		Laos		Lithuania	Uzbekistan
Lebanon		Malaysia		Macedonia	Zambia

## *Introduction to Comparative Table*

The comparative table that follows the Glossary of Terms below identifies the broad range of actions, effective as of December 31, 2010, that jurisdictions have, or have not, taken to combat money laundering. This reference table provides a comparison of elements that includes legislative activity and other identifying characteristics that can have a relationship to a jurisdiction's money laundering vulnerability.

### *Glossary of Terms*

- 1. “Criminalized Drug Money Laundering”: The jurisdiction has enacted laws criminalizing the offense of money laundering related to the drug trade.
- 2. “Criminalized Beyond Drugs”: The jurisdiction has enacted laws criminalizing the offense of money laundering related to crimes other than the drug trade.
- 3. “Know Your Customer Provisions”: By law or regulation, the government requires banks and/or other covered entities to adopt and implement Know Your Customer/Customer Due Diligence programs for their customers or clientele.
- 4. “Report Large Transactions”: By law or regulation, banks and/or other covered entities are required to report large transactions in currency or other monetary instruments to designated authorities.
- 5. “Report Suspicious Transactions”: By law or regulation, banks and/or other covered entities are required to report suspicious or unusual transactions to designated authorities. On the Comparative Table the letter “Y” signifies mandatory reporting; “P” signifies reporting is not required but rather is permissible or optional; “N” signifies no reporting regime.
- 6. “Maintain Records over Time”: By law or regulation, banks and/or other covered entities are required to keep records, especially of large or unusual transactions, for a specified period of time, e.g., five years.
- 7. “Disclosure Protection - ‘Safe Harbor’”: By law, the jurisdiction provides a “safe harbor” defense to banks and/or other covered entities and their employees who provide otherwise confidential banking data to authorities in pursuit of authorized investigations.
- 8. “Criminalize ‘Tipping Off’”: By law, disclosure of the reporting of suspicious or unusual activity to an individual who is the subject of such a report, or to a third party, is a criminal offense.
- 9. “Financial Intelligence Unit”: The jurisdiction has established an operative central, national agency responsible for receiving (and, as permitted, requesting), analyzing, and disseminating to the competent authorities disclosures of financial information in order to counter money laundering. An asterisk reflects those jurisdictions that are not members of the Egmont Group.
- 10. “Cross-Border Transportation of Currency”: By law or regulation, the jurisdiction has established a declaration or disclosure system for persons transiting the jurisdiction's borders, either inbound or outbound, and carrying currency or monetary instruments above a specified threshold.



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- 11. “International Law Enforcement Cooperation”: Jurisdiction cooperates with authorized investigations involving or initiated by third party jurisdictions, including sharing of records or other financial data, upon request. No known legal impediments to cooperation exist in current law.
- 12. “Mutual Legal Assistance”: By law or through treaty, the jurisdiction has agreed to provide and receive mutual legal assistance, including the sharing of records and data.
- 13. “System for Identifying and Forfeiting Assets”: The jurisdiction has established a legally authorized system for the tracing, freezing, seizure, and forfeiture of assets identified as relating to or generated by money laundering activities.
- 14. “Arrangements for Asset Sharing”: By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.
- 15. “Criminalized the Financing of Terrorism”: The jurisdiction has criminalized the provision of material support to terrorists, terrorist activities, and/or terrorist organizations as required by the UN International Convention for the Suppression of the Financing of Terrorism and UN Security Council Resolution 1373.
- 16. “Report Suspected Terrorist Financing”: By law or regulation, banks and/or other covered entities are required to record and report transactions suspected to relate to the financing of terrorists, terrorist groups or terrorist activities to designated authorities.
- 17. “States Party to 1988 UN Drug Convention”: States party to the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- 18. “States Party to the UN International Convention for the Suppression of the Financing of Terrorism”: States party to the International Convention for the Suppression of the Financing of Terrorism, or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- 19. “States Party to the UN Convention against Transnational Organized Crime”: States party to the United Nations Convention against Transnational Organized Crime (UNTOC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- 20. “States Party to the UN Convention against Corruption”: States party to the United Nations Convention against Corruption (UNCAC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- 21. “US or International Sanctions/Penalties”: The US, another jurisdiction and/or an international organization, e.g., the UN or FATF, has imposed sanctions or penalties against the jurisdiction. A country’s inclusion in the FATF’s International Cooperation Review Group exercise is not considered a sanction or penalty unless the FATF recommended counter-measures against the country/jurisdiction.

## *Comparative Table*

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	Mutual Legal Assistance	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
	Govt/Jurisdiction																				
Afghanistan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y	N
Algeria	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Andorra	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	N	N
Argentina	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N	Y	Y	Y	Y	N
Aruba	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Albania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Algeria	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Angola	Y	Y	Y	N	Y	Y	Y	N	Y	N	N	N	N	N	Y	Y	Y	Y	Y	Y	N
Anguilla <sup>1</sup>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
Antigua and Barbuda	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Armenia	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Austria	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Australia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Azerbaijan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Bahamas	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Bahrain	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y	N
Bangladesh	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	Y	Y	N	Y	Y	Y	Y	N	Y	N
Barbados	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	N	N
Belarus	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y
Belgium	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Belize	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Benin	Y	Y	N	N	Y	Y	Y	Y	N	Y*	Y	Y	Y	N	N	N	Y	Y	Y	Y	N

<sup>1</sup> The UK extended its application of the 1988 Convention and the UK Terrorism Order 2001 to Anguilla, Bermuda, the British Virgin Islands, the Cayman Islands, Montserrat, the Turks and Caicos, Isle of Man, Bailiwick of Jersey, and Guernsey. The International Convention for the Suppression of Terrorism has not yet been so extended.

## Money Laundering and Financial Crimes

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	Mutual Legal Assistance	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Bermuda <sup>1</sup>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
Bolivia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	Y	N	N	N	Y	Y	Y	Y	Y
Bosnia & Herzegovina	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Botswana	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	N	N	Y	Y	Y	Y	N
Brazil	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N
British Virgin Islands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N
Brunei Darussalam	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Bulgaria	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Burkina Faso	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Burma	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	Y	N	N	N	Y	Y	Y	N	Y
Burundi	Y	Y	Y	N	Y	Y	N	N	N	Y*	Y	Y	N	N	Y	Y	Y	Y	Y	Y	N
Cambodia	Y	Y	Y	Y	Y	Y	N	Y	Y	Y*	Y	Y	N	N	Y	Y	Y	Y	Y	Y	N
Cameroon	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Canada	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Cape Verde	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Cayman Islands <sup>1</sup>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N
Central African Republic	Y	Y	Y	Y	Y	Y	N	Y	N	N	N	N	Y	N	Y	N	Y	Y	Y	Y	N
Chad	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	N	N	N	N	N	Y	Y	Y	N	Y
Chile	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
China	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N	Y	Y	Y	Y	Y	Y	N
Colombia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Comoros	Y	Y	Y	Y	Y	N	N	N	Y	Y*	Y	Y	N	N	N	N	Y	Y	Y	Y	N
Congo, (Dem Republic)	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N

Actions by Governments																					
	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	Mutual Legal Assistance	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Congo, Republic of	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
Cook Islands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Costa Rica	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Cote d'Ivoire	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	N	Y	Y	Y	Y	N	N	N
Croatia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Cuba	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	Y	N	Y	Y	Y	Y	Y	Y	Y
Curacao	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Cyprus <sup>1</sup> (1)	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Czech Republic	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
Denmark	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Djibouti	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Dominica	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	N
Dominican Republic	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Ecuador	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Egypt	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
El Salvador	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Equatorial Guinea	Y	Y	Y	Y	N	Y	N	N	N	N	N	N	N	N	N	N	N	Y	Y	N	N
Eritrea	N	N	N	Y	Y	Y	N	N	Y	Y*	Y	N	N	N	N	N	Y	N	N	N	Y
Estonia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Ethiopia	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	U	Y	Y	Y	N	Y	Y	N
Fiji	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	N

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Area administered by Turkish Cypriots	Y	Y	Y	Y	Y	Y	N	N	Y	Y	N	N	Y	N	Y	Y	N/A	N/A	N/A	N/A	N
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## Money Laundering and Financial Crimes

Actions by Governments	Criminalized Drug Money Laundering																				
	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	Mutual Legal Assistance	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Finland	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
France	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Gabon	Y	Y	Y	N	Y	Y	N	N	N	N	Y	N	N	N	Y	Y	Y	Y	Y	Y	N
Gambia	Y	Y	Y	Y	Y	Y	N	Y	Y	Y*	Y	Y	Y	N	Y	Y	Y	N	Y	N	N
Georgia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Germany	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Ghana	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	Y	Y	Y	Y	N	Y	N
Gibraltar	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	N
Greece	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Grenada	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	N
Guatemala	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Guernsey <sup>1</sup>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N
Guinea	Y	N	N	N	N	N	N	N	Y	N	N	N	N	N	N	N	Y	Y	Y	N	N
Guinea-Bissau	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N	Y	Y	Y	N	Y	N	N	N	Y
Guyana	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Haiti	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	N	N	Y	N	N	Y	N
Honduras	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Hong Kong <sup>1</sup>	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Hungary	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Iceland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	N	N
India	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Indonesia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Isle of Man <sup>1</sup>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N
Iran	Y	Y	Y	N	Y	Y	N	N	N	N	N	N	N	N	N	N	Y	N	N	Y	Y
Iraq	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	Y	N	Y	Y	Y	N	Y	Y	N
Ireland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Israel	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N

<sup>1</sup> The People's Republic of China extended the UN Financing of Terrorism Convention to the Special Administrative Regions of Hong Kong and Macau.

Actions by Governments																					
	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	Mutual Legal Assistance	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Italy	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Jamaica	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Japan	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	N	N
Jersey <sup>1</sup>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N
Jordan	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	N	Y	N	N	Y	Y	Y	Y	Y	Y	N
Kazakhstan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Kyrgyz Republic	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Kenya	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	N	N	Y	Y	Y	Y	N
Korea (DPRK)	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	Y	N	N	N	Y
Korea, Republic of	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N
Kosovo	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	N	Y	N	Y	Y	N	N	N	N	N
Kuwait	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	Y	Y	N	N	Y	N	Y	Y	N
Laos	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	Y	N	N	Y	N	Y	Y	Y	Y	N
Latvia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Lebanon	Y	Y	Y	N	Y	Y	Y	N	N	Y	Y	N	Y	N	Y	Y	Y	N	Y	Y	N
Lesotho	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Liberia	Y	Y	Y	Y	N	Y	N	N	N	N	Y	N	N	N	N	N	Y	Y	Y	Y	Y
Libya	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	N	N	N	N	N	Y	Y	Y	Y	N
Liechtenstein	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Lithuania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Luxembourg	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Macau <sup>1</sup>	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Macedonia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Madagascar	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	N	N	Y	Y	Y	Y	N
Malawi	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Malaysia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Maldives	Y	N	Y	N	Y	N	N	N	N	Y*	Y	Y	Y	N	Y	Y	Y	Y	N	Y	N

# Money Laundering and Financial Crimes

Actions by Governments																					
	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	Mutual Legal Assistance	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Mali	Y	Y	Y	N	Y	Y	Y	N	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Malta	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Marshall Islands	Y	Y	N	N	N	N	N	N	N	N	Y	Y	Y	N	Y	N	N	Y	N	N	N
Mauritania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Mauritius	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y	N
Mexico	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Micronesia	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	N	N	Y	Y	Y	N	N
Moldova	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Monaco	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Mongolia	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Montenegro	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Montserrat <sup>1</sup>	Y	Y	Y	N	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
Morocco	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mozambique	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Namibia	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	N	Y	Y	Y	N	N	Y	N	Y	Y	N
Nauru	Y	N	Y	Y	Y	Y	Y	Y	Y	Y*	N	N	Y	N	Y	Y	N	Y	N	N	N
Netherlands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Nepal	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	Y	Y	Y	N	N	N	N
New Zealand	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Nicaragua	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Niger	Y	Y	Y	Y	Y	Y	N	Y	Y	Y*	N	N	Y	N	Y	Y	Y	Y	Y	Y	N
Nigeria	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N	N	Y	Y	Y	Y	N
Norway	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Oman	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	Y	Y	Y	N	Y	N	N
Pakistan	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	N	N	N	N	Y	Y	Y	Y	Y	Y	N
Palau	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	Y	Y	N	Y	N	N	N

Actions by Governments																					
	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	Mutual Legal Assistance	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Panama	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Papua New Guinea	Y	Y	Y	Y	Y	Y	N	N	Y	N	Y	N	Y	N	N	N	N	Y	N	Y	N
Paraguay	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	N
Peru	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N
Philippines	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N
Poland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	N
Portugal	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Qatar	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N
Romania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Russia	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Rwanda	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	N	Y	N	Y	Y	Y	Y	Y	Y	N
Sao Tome & Principe	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	Y	Y	Y	Y	N
St. Kitts and Nevis	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	N
St. Lucia	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	N	N	N
St. Vincent and the Grenadines	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	N	N
Samoa	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
San Marino	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Saudi Arabia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	N
Senegal	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Serbia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N
Seychelles	Y	Y	N	N	Y	Y	Y	Y	N	Y*	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Sierra Leone	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	N	N	Y	Y	N	Y	Y
Singapore	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y



## Money Laundering and Financial Crimes

Actions by Governments																					
	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	Mutual Legal Assistance	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Slovak Republic	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Slovenia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Solomon Islands	Y	Y	N	N	Y	Y	Y	Y	Y	Y*	Y	N	Y	N	Y	Y	N	Y	N	N	N
Somalia	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
South Africa	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Spain	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Sri Lanka	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Sudan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y
Suriname	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	Y	Y	N	N	Y	Y	N	N	N	N
Swaziland	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	N	Y	Y	Y	Y	Y	N
Sweden	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Switzerland	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Syria	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y
Tajikistan	Y	Y	Y	N	N	N	Y	N	Y	Y*	Y	Y	Y	N	Y	N	Y	Y	Y	Y	N
Taiwan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N*	N*	N*	N*	N
Tanzania	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Thailand	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
Timor-Leste	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	Y	Y	N
Togo	Y	Y	Y	Y	Y	N	N	N	Y	Y*	Y	N	Y	N	Y	Y	Y	Y	Y	Y	Y
Tonga	Y	Y	Y	Y	P	Y	Y	Y	Y	Y*	Y	Y	Y	N	Y	Y	Y	Y	N	N	N
Trinidad & Tobago	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Tunisia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Turkey	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Turkmenistan	Y	Y	Y	Y	Y	Y	N	Y	Y	Y*	Y	Y	Y	N	Y	N	Y	Y	Y	Y	N
Turks and Caicos <sup>1</sup>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N
Ukraine	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
UAE	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y	N

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	Mutual Legal Assistance	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
United Kingdom	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
United States	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Uganda	Y	N	Y	N	N	Y	N	N	N	N	Y	N	N	N	Y	N	Y	N	N	Y	N
Uruguay	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Uzbekistan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Vanuatu	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Vietnam	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	N	N	N	N	Y	N	Y	Y	N	N	N
Venezuela	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N
Yemen	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N
Zambia	Y	Y	N	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N
Zimbabwe	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	N	Y	Y	Y	Y	Y	Y	Y	N	Y

## ***INCSR Volume II Template Key***

### **1. INTRODUCTORY PARAGRAPH**

This section provides a historical and economic picture of the country or jurisdiction, particularly relating to the country's vulnerabilities to money laundering/terrorist financing (ML/TF). Information on the extent of organized criminal activity, corruption, drug-related money laundering, financial crimes, smuggling, black market activity and terrorist financing should be included.

This section should also include a brief summary of the scope of any offshore sector, free trade zones, the informal financial sector, alternative remittance systems or other prevalent area of concern or vulnerability. Discussion of deficiencies in any of these areas should be further discussed in item 9, below.

### **2. DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: (Y/N)**

This question addresses whether the jurisdiction's financial institutions engage in currency transactions involving international narcotics trafficking proceeds that include significant amounts of U.S. currency or currency derived from illegal drug sales in the United States or that otherwise significantly affect the United States.

### **3. CRIMINALIZATION OF MONEY LAUNDERING:**

***All serious crimes approach or list approach to predicate crimes:***

***Legal persons covered: criminally: (Y/N)      civilly: (Y/N)***

In general, two methods of designating money laundering predicate crimes are in use. The response to this question indicates which method of designation the country uses - does the country list specific crimes as predicate crimes for money laundering in its penal code? Conversely, does it use an "all serious crimes" approach, stating that all crimes with penalties over a specified amount or that carry a threshold minimum sentence are money laundering predicate crimes?

Are legal persons, that is, corporations, partnerships, or any legal entity, liable for money laundering/terrorist financing activity by law? Are they subject to criminal penalties, such as fines? Are they subject to civil or administrative penalties, such as civil money penalties, or suspension or loss of license?

### **4. CRIMINALIZATION OF TERRORIST FINANCING:**

***Ability to freeze terrorist assets without delay: (Y/N)***

***UN lists of designated terrorists or terrorist entities distributed to financial institutions: (Y/N)***

**(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>).**

The seizure and forfeiture of assets (including but not limited to bank accounts, other financial assets, airplanes, autos, residences, other property) belonging to terrorists or terrorist organizations can be important elements in efforts to control the financing and perpetration of terrorist acts and terrorism.

Does the government have an independent national system and mechanism for freezing terrorist assets in a timely manner?

Does the government distribute to financial institutions the names of suspected terrorists and terrorist organizations listed on the United Nations 1267 Sanctions Committee's consolidated list as being linked to Usama bin Ladin, members of the al-Qaida organization or the Taliban?

The link to the Department of State's Country Reports on Terrorism will appear if a submission for the country/jurisdiction appears in that report.

### **5. *KNOW-YOUR-CUSTOMER RULES:***

**Covered entities:** A list of the types of financial institutions and designated non-financial businesses and professions covered by KYC rules

***Enhanced due diligence procedures for PEPs: Foreign:*** (Y/N)      ***Domestic:*** (Y/N)

Customer due diligence (CDD) or know your customer (KYC) programs should apply not only to banks or financial institutions but also to designated non-financial businesses and professions (DNFBPs). Covered institutions should be required to know, record, and report the identity of customers engaging in significant transactions. Entities such as securities and insurance brokers, money exchanges or remitters, financial management firms, gaming establishments, lawyers, real estate brokers, high-value goods dealers and accountants, among others, should all be covered by such programs.

Countries should be using a risk-based approach to CDD or KYC. Using that approach, types of accounts or customers may be considered either less or more risky and be subject to varying degrees of due diligence. Politically exposed persons (PEPs) should be considered high risk and should be subject to enhanced due diligence and monitoring. PEPs are those individuals who are entrusted with prominent public functions in a country, for example, heads of state; senior politicians; senior government, judicial or military officials; senior executives of state-owned corporations; important political party officials. Does the country apply enhanced due diligence procedures to foreign and/or domestic PEPs?

### **6. *SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

**Covered entities:** A list of the types of financial institutions and designated non-financial businesses and professions covered by reporting rules

***Number of STRs received and time frame:***

***Number of CTRs received and time frame:***

Suspicious transaction reporting requirements should apply not only to banks or financial institutions but also to DNFBPs. Entities such as securities and insurance brokers, money exchanges or remitters, financial management firms, gaming establishments, lawyers, real estate brokers, high-value goods dealers and accountants, among others, should all be covered by such programs.

If available, the report will include the number of suspicious transaction reports (STRs) received by the designated government body and the time frame during which they were received. The most recent information available, preferably the activity in 2010, will be included.

Similarly, if the country has a large currency transaction reporting requirement, whereby all currency transactions over a threshold amount are reported to a designated government body, the report will include the number of currency transaction reports (CTRs) received by the designated government body and the time frame during which they were received. The most recent information available, preferably the activity in 2010, will be included. The report should not include information on CTRs not required to be forwarded to a designated government body but held in institutions for government review.

### **7. MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** (Number and time frame)

**Convictions:** (Number and time frame)

**Assets forfeited: criminally:** (amount and time frame) **civilly:** (amount and time frame)

The seizure and forfeiture of assets (including but not limited to bank accounts, other financial assets, airplanes, autos, residences, and other property) derived from the international drug trade, money laundering, or other serious crimes can be important elements in efforts to control criminal activity. If the jurisdiction has enacted laws authorizing the seizure and forfeiture of assets identified as relating to or generated by money laundering activities, the report will indicate the dollar equivalent of assets subject to criminal forfeiture and the relevant time frame. Similarly, if the country has a non-conviction based or civil asset forfeiture regime, the dollar equivalent of assets forfeited civilly and the relevant time frame will be included.

If available, the report will include the numbers of prosecutions and convictions and the relevant time frames. The most recent information available, preferably the activity in 2010, will be included.

### **8. RECORDS EXCHANGE MECHANISM:**

**With U.S.:** (Y/N)

**With other governments/jurisdictions:** (Y/N)

Does the country/jurisdiction have in place treaties, memoranda of understanding or other agreements to share information related to financial crimes, money laundering, and terrorist financing with the United States? With other governments?

The report will indicate if the country/jurisdiction is a member of the Financial Action Task Force (FATF) or a FATF-style regional body. A link to the website with its most recent mutual evaluation will be shown.

### **9. ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Information in this section should include: changes in policy, law, and implementation of regulations occurring since January 1, 2010, and any issues or deficiencies noted in the country/jurisdiction's AML/CFT program. These may include the following: resource issues, legislative deficiencies, and/or implementation deficiencies; information on any U.S. or international sanctions against the country/jurisdiction; whether the country has cooperated on important cases with USG agencies or has refused to cooperate with foreign governments, as well as any actions taken by the USG or any international organization to address such obstacles, including the imposition of sanctions or penalties; any known issues with or abuse of non-profit organizations, alternative remittance systems, offshore sectors, free trade zones, bearer shares, or other specific sectors, or situations; any other information which impacts on the country's/jurisdiction's ability to successfully implement a comprehensive AML/CFT regime or provides information on successful, innovative policies or procedures.



## *Countries/Jurisdictions of Primary Concern*

### **Afghanistan**

Afghanistan's formal financial system is no longer rapidly expanding while traditional informal financial systems, particularly regional hawala networks, remain significant in reach and scale. Afghanistan currently is experiencing large gross outflows of currency. Annually, hundreds of millions of dollars are transported out of the country through a variety of means. Terrorist and insurgent financing, money laundering, cash smuggling, informal value transfer systems and other activities designed to finance organized criminal activity continue to pose a serious threat to the security and development of Afghanistan. Afghanistan remains a major drug trafficking and drug producing country. The illicit narcotics trade, corruption and contract fraud are major sources of laundered funds. Despite ongoing efforts by the international community to build the capacity of Afghan police and customs forces, Afghanistan is unable to consistently uncover and disrupt financial crimes because of limited resources, little expertise, and corruption and insufficient political will. Proposed reforms often conflict with legal, historical, and cultural factors.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES***

***CRIMINALIZATION OF MONEY LAUNDERING:***

*All serious crimes approach or list approach to predicate crimes:* All crimes

*Legal persons covered:* criminally: YES civilly: NO

***CRIMINALIZATION OF TERRORIST FINANCING:***

*Ability to freeze terrorist assets without delay:* YES

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:* NO

Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>

***KNOW-YOUR-CUSTOMER RULES:***

*Covered entities:* Central Bank of Afghanistan (DAB), banks, money service providers, insurance companies, dealers in precious metals and stones, lawyers, accountants, securities dealers, and real estate agents

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: YES

***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

*Covered entities:* Financial institutions and money service businesses including informal funds transfer providers such as hawaladars.

*Number of STRs received and time frame:* 598 from June 2006 to October 2010

*Number of CTRs received and time frame:* 1,744,169, from June 2006 to October 2010

### ***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** None

***Convictions:*** None

***Assets forfeited:***        ***criminally:*** Not available        ***civilly:*** Not available

### ***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** YES

***With other governments/jurisdictions:*** YES

Afghanistan is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. It is scheduled to undergo its first mutual evaluation late in 2010.

### ***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In 2010 Afghanistan became a member of the Egmont Group of Financial Intelligence Units.

Money laundering and terrorist financing investigations in Afghanistan have been hampered by a lack of capacity, awareness, and political commitment, particularly involving prosecutors and the courts. Corruption permeates all levels of Afghan government and society and has a direct impact on the lack of financial crimes enforcement. Afghanistan ranked 176 out of 178 countries surveyed in Transparency International's 2010 Corruption Perception Index.

Border security continues to be a major issue throughout Afghanistan. In 2008 there were 14 official border crossings that came under central government control, utilizing international assistance as well as local and international forces. However, many of the border areas are under-policed or not policed at all. These areas are particularly susceptible to illicit cross-border trafficking, trade-based money laundering, and bulk cash smuggling. Furthermore, officials estimate there are over 1,000 unofficial border crossings along Afghanistan's porous borders. Customs authorities, with the help of outside assistance, have made improvements, but much work remains to be done.

It is estimated that five percent or less of the Afghan population uses banks. Afghanistan is widely served by the traditional and deeply entrenched hawala system, which provides a range of financial and non-financial business services in local, regional, and international markets. It is estimated between 80 percent and 90 percent of all financial transfers in Afghanistan are made through hawala. Financial activities include foreign exchange transactions, funds transfers (particularly to and from neighboring countries such as the UAE, Iran and Pakistan with weak regulatory regimes for informal remittance systems), micro and trade finance, as well as some deposit-taking activities. Although the hawala system and formal financial sector are distinct, the two systems have links. Hawala dealers often keep accounts at banks and use wire transfer services to settle their balances with other hawaladars abroad, while banks will occasionally use hawaladars to transmit funds to hard-to-reach areas within Afghanistan. There are approximately 250 known hawala dealers in Kabul, and approximately 1,500 dealers that vary in size and reach spread throughout Afghanistan's 34 provinces. Given how widely used the hawala system is in Afghanistan, it undoubtedly is involved, intentionally or inadvertently, in financial crimes; however, only a few STRs have been submitted by money service providers (MSPs), including licensed hawaladars. This needs to be addressed immediately, while continuing to license the remaining 50 percent - 60 percent of MSPs still operating outside the formal sector.



The Afghan government has no formal extradition or mutual legal assistance arrangements with the United States. In the absence of a formal bilateral agreement between Afghanistan and the United States, requests for extradition and mutual legal assistance have been processed on an ad hoc basis, largely with the assistance of the Afghan Attorney General's Office. The 2005 Afghan Counter Narcotics law, however, allows the extradition of drug offenders under the 1988 UN Drug Convention.

### **Antigua and Barbuda**

Antigua and Barbuda is a significant offshore center that despite recent improvements remains susceptible to money laundering due to its offshore financial sector and Internet gaming industry. Illicit proceeds from the transshipment of narcotics and from financial crimes occurring in the U.S. also are laundered in Antigua and Barbuda.

Antigua and Barbuda uses the East Caribbean (EC) dollar and its monetary authority is the Eastern Caribbean Central Bank (ECCB). Seven other island economies are also members of the ECCB: Anguilla, Dominica, Grenada, Montserrat, St Kitts and Nevis, St. Lucia, and St Vincent and the Grenadines. The existence of this common currency may raise the risk of money laundering, but there is little evidence that the EC dollar is a primary vehicle for money laundering.

As of 2010, Antigua and Barbuda has 15 international banks, one international trust, three offshore insurance companies, 3,497 international business corporations (IBCs), ten interactive gaming companies, six interactive wagering companies, eight money services businesses, and 25 corporate management and trust services providers. In addition, there are five casinos. Bearer shares are permitted for international companies but the names and addresses of directors (who must be naturalized persons), the activities the corporation intends to conduct, the names of shareholders, and number of shares they will hold are required to be disclosed. Registered agents or service providers are required by law to know the names of beneficial owners. All licensed institutions are required to have a physical presence, which means presence of at least a full-time senior officer and availability of all files and records. Shell companies are not permitted. Internet gaming companies are required to incorporate as IBCs, to report all payouts over \$25,000 to Antigua and Barbuda's Office of National Drug and Money Laundering Control Policy (ONDCP), and to have a physical presence, meaning the primary servers and the key person are resident in Antigua and Barbuda.

A nominal free trade zone in the country seeks to attract investment in areas deemed as priority by the government. Casinos and sports book-wagering operations in Antigua and Barbuda's free trade zone are supervised by the ONDCP, and the Directorate of Offshore Gaming. Internet gaming companies are required to submit quarterly and annual audited financial statements and maintain records relating to all gaming and financial transactions of each customer for six years.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

*"All serious crimes" approach or "list" approach to predicate crimes:* All serious crimes

*Legal persons covered: criminally:* YES      *civilly:* YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

*Ability to freeze terrorist assets without delay:* YES

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:*  
YES

**KNOW-YOUR-CUSTOMER RULES:**

*Covered entities:* Banks, agricultural credit institutions, and money exchangers; notaries; domestic and Internet gaming centers; real estate and travel agents; company service providers; lawyers; accountants; dealers in autos, precious metals and stones, and other high-value goods; insurance brokers; and securities dealers

*Enhanced due diligence procedures for PEPs: Foreign:* YES *Domestic:* YES

**SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

*Covered entities:* Banks, agricultural credit institutions, and money exchangers; notaries; domestic and Internet gaming centers; real estate and travel agents; company service providers; lawyers; accountants; dealers in autos, precious metals and stones, and other high-value goods; insurance brokers; and securities dealers

*Number of STRs received and time frame:* 145, January to December 2010

*Number of CTRs received and time frame:* No information available

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* One in 2009

*Convictions:* None

*Assets forfeited: criminally:* \$23,000 (In addition, \$1, 379,120 was confiscated on behalf of US authorities.) *civilly:* None

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* YES

*With other governments/jurisdictions:* YES

Antigua and Barbuda is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: [http://www.cfatf-gafic.org/downloadables/mer/Antigua\\_and\\_Barbuda\\_3rd\\_Round\\_MER\\_Final\(Eng\).pdf](http://www.cfatf-gafic.org/downloadables/mer/Antigua_and_Barbuda_3rd_Round_MER_Final(Eng).pdf)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

During the year, the Prevention of Terrorism (Amendment) Act was passed, making further explicit provisions for the de-listing of specified entities; however, deficiencies remain.

The Government of Antigua and Barbuda (GOAB) does not have a unified regulatory structure or uniform supervisory practices for its domestic and offshore banking sectors. Currently, the ECCB supervises Antigua and Barbuda's domestic banking sector. The Registrar of Insurance supervises and examines domestic insurance agencies. The Financial Services Regulatory Commission is responsible for the regulation and supervision of all IBCs, including offshore banks and all aspects of offshore gaming; this includes conducting examinations and reviews of offshore financial institutions as well as some domestic financial entities, such as insurance companies and trusts. The director of the ONDCP supervises all financial institutions for compliance with suspicious transaction reporting requirements. Only gaming institutions are required to file large currency transaction reports.

The GOAB has taken steps to combat money laundering by passing relevant legislation that applies to both domestic and offshore financial institutions, and establishing a thorough regulatory regime. The GOAB should implement and enforce all provisions of its AML/CFT legislation. The ONDCP should be given direct access to financial institution records in order to effectively assess their AML/CFT compliance. Antigua and Barbuda has yet to prosecute a money laundering case and there are few arrests or prosecutions. More comprehensive investigations could lead to higher numbers of arrests, prosecutions, and convictions. Continued efforts should be made to enhance the capacity of law enforcement and customs authorities to recognize money laundering typologies that fall outside the formal financial sector. Continued international cooperation, particularly with regard to the timely sharing of statistics and information related to offshore institutions, and enforcement of foreign civil asset forfeiture orders will likewise enhance Antigua and Barbuda's ability to combat money laundering.

## Australia

Australia is one of the major centers for capital markets in the Asia-Pacific region. While narcotics offenses provide a substantial source of proceeds of crime, the majority of illegal proceeds are derived from fraud-related offenses. The Government of Australia (GOA) maintains a comprehensive system to detect, prevent, and prosecute money laundering. The last few years have seen a noticeable increase in activities investigated by Australian law enforcement agencies that relate directly to offenses committed overseas. Australia's system has evolved over time to address new money laundering and terrorist financing risks identified through continuous consultation between government agencies and the private sector.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes

***Legal persons covered: criminally:*** YES      ***civilly:*** NO

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** YES

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:***  
YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** Banks; gaming and bookmaking establishments and casinos; bullion and cash dealers and money exchanges and remitters, including electronic funds transferors; insurers and insurance intermediaries; securities or derivatives dealers; registrars and trustees; issuers, sellers or redeemers of travelers checks, money orders or similar instruments; preparers of payroll in whole or in part from currency on behalf of other persons; currency couriers

***Enhanced due diligence procedures for PEPs: Foreign:*** YES      ***Domestic:*** YES

### ***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

***Covered entities:*** Banks, gaming and bookmaking establishments and casinos; bullion and cash dealers and money exchanges and remitters, including electronic funds transferors; insurers and insurance intermediaries; securities or derivatives dealers; registrars and trustees; issuers, sellers or redeemers of travelers checks, money orders or similar instruments; preparers of payroll in whole or in part from currency on behalf of other persons; currency couriers

***Number of STRs received and time frame:*** 47,386 - 2009-2010

***Number of CTRs received and time frame:*** 3,375,447 - 2009-2010

### ***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 88 indictments - July 2009 - June 2010

***Convictions:*** 50 in 2009 - 2010

***Assets forfeited:*** ***criminally:*** \$7,691,800 ***civilly:*** Not available

### ***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** YES

***With other governments/jurisdictions:*** YES

Australia is a member of the Financial Action Task Force (FATF). It also serves as permanent co-chair, and hosts and funds the Secretariat of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found here:

<http://www.fatf-gafi.org/dataoecd/60/33/35528955.pdf>

### ***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The formal and informal money remittance sector is vulnerable to the risk of being exploited for criminal purposes. Additionally, the majority of designated non-financial businesses and professions (DNFBPs), such as real estate agents, dealers in precious stones and metals, and specified legal, accounting, trust, and company service providers are not yet covered by reporting and record keeping requirements of Australia's AML/CFT laws, nor are politically exposed persons subject to enhanced due diligence procedures. This lack of coverage leads to increased vulnerabilities in these entities. Australia should amend its legislation, as necessary, to cover all DNFBPs.

In comparison to the size of the Australian economy and the comprehensive anti-money laundering countermeasures in place, the number of convictions for money laundering remains very low.

## **Austria**

Austria is a major regional financial center and Austrian banking groups control significant shares of the banking markets in Central, Eastern, and Southeastern Europe. Money laundering occurs within the Austrian banking system as well as in non-bank financial institutions and businesses. Money laundered by organized crime groups derives primarily from serious fraud, smuggling, corruption, narcotics-trafficking, and trafficking in persons. Theft, drug trafficking and fraud are the main predicate crimes in Austria according to the statistics of convictions and investigations. Austria is not an offshore jurisdiction and has no free trade zones.

### ***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT***

**AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:** NO

**CRIMINALIZATION OF MONEY LAUNDERING:**

*“All serious crimes” approach or “list” approach to predicate crimes:* Combination

*Legal persons covered: criminally:* YES      *civilly:* NO

**CRIMINALIZATION OF TERRORIST FINANCING:**

*Ability to freeze terrorist assets without delay:* YES

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:*  
YES

**KNOW-YOUR-CUSTOMER RULES:**

*Covered entities:* Banks and credit institutions, financial institutions, leasing and exchange businesses, safe custody services, portfolio advisers, brokers, securities firms, money transmitters, insurance companies and intermediaries, casinos, all dealers including those in high value goods, auctioneers, real estate agents, lawyers, notaries, certified public accountants, and auditors.

*Enhanced due diligence procedures for PEPs: Foreign:* YES      *Domestic:* NO

**SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

*Covered entities:* Banks and credit institutions, financial institutions, leasing and exchange businesses, safe custody services, portfolio advisers, brokers, securities firms, money transmitters, insurance companies and intermediaries, casinos, all dealers including those in high value goods, auctioneers, real estate agents, lawyers, notaries, certified public accountants, auditors, and customs officials.

*Number of STRs received and time frame:* 1,385 in 2009

*Number of CTRs received and time frame:* Not applicable

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 289 in 2009

*Convictions:* Five in 2009

*Assets forfeited: criminally:* Not available      *civilly:* Not available

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* YES

*With other governments/jurisdictions:* YES

Austria is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/22/50/44146250.pdf>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Numerous legal amendments to bring Austria's AML/CFT regime more in line with FATF standards were adopted by Parliament on May 20, 2010, and entered into force July 1, 2010. Those amendments strengthen regulatory standards, give more power and responsibility to bank compliance officers and regulators (in particular Austria's FIU), and make asset seizure easier in AML/CFT cases. New paragraph 165 of the Austrian Penal Code extends the scope of money laundering offenses to "self-laundering" of illicit proceeds. Austria has a combination of both an

“all serious crimes” approach plus a list of predicate offenses which do not fall under the domestic definition of serious crimes, but which Austria includes to comply with international legal obligations and FATF standards.

Since July 1, 2010, asset freezes pursuant to UN and European Union (EU) sanctions are based on Austria’s new Sanctions Law (previously, the Foreign Exchange Act). The new Sanctions Law significantly expands and improves implementation of UNSCR and European financial sanctions on terrorists, including measures set forth in directly applicable EU Regulations. Asset freezes now apply not just to financial funds but to all economic resources including real estate, companies, and vehicles. The law provides for bans on travel and bans on rendering services to designated entities; it also establishes administrative and criminal penalties.

The Government of Austria has committed to sharply restrict the issuance and use of bearer shares. Draft legislation eliminating bearer shares for all companies except those listed on the stock exchange has been circulated for comment.

Even absent a specific suspicion, new regulations require tax authorities to inform the FIU of all cases where private foundations do not disclose the founding deed including all appendices and supplementary documentation, as well as beneficial owners of hidden trusteeships.

In June 2010, the United States and Austria signed a bilateral asset sharing agreement to share assets seized from convicted criminals.

## Bahamas

The Commonwealth of The Bahamas is an important regional and offshore financial center. The economy of the country is heavily reliant upon tourism, tourist-driven construction and the offshore sector. The Bahamas is a transshipment point for cocaine bound for the United States and Europe. Money laundering trends include the purchase of real estate, large vehicles and jewelry, as well as the processing of money through a complex web of legitimate businesses, and international business companies registered in the offshore financial sector. Drug traffickers and other criminal organizations take advantage of the large number of international business companies and offshore banks registered in The Bahamas to launder significant sums of money despite strict KYC and transaction reporting requirements.

The country has one large free trade zone, Freeport Harbor. This zone is managed by a private entity called the Freeport Harbor Company, which is owned and operated through a joint venture between Hutchison Port Holdings (HPH) and The Port Group (The Grand Bahama Port Authority). Businesses at the harbor include private boat, ferry and cruise ship visits, roll-on/roll-off facilities for containerized and LTL cargo, and car transshipment. Freeport Harbor has the closest offshore port to the United States and the entire country is relatively accessible by medium sized boats. This makes smuggling and bulk cash money laundering relatively easy. While it is illegal for citizens of the Bahamas to gamble, gambling is legal for tourists and there are three main casinos.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** List approach.

## Money Laundering and Financial Crimes

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*Legal persons covered: criminally:* YES      *civilly:* YES

### **CRIMINALIZATION OF TERRORIST FINANCING:**

*Ability to freeze terrorist assets without delay:* YES

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:*  
YES

### **KNOW-YOUR-CUSTOMER RULES:**

*Covered entities:* Banks and trust companies, insurance companies, securities firms and investment fund administrators, financial and corporate service providers, cooperatives, societies, casinos, lawyers, accountants, real estate agents, and company service providers

*Enhanced due diligence procedures for PEPs: Foreign:* YES    *Domestic:* YES

### **SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

*Covered entities:* Banks and trust companies, insurance companies, securities firms and investment fund administrators, financial and corporate service providers, cooperatives, societies, casinos, lawyers, accountants, real estate agents, and company service providers

*Number of STRs received and time frame:* 138 STRs in 2009

*Number of CTRs received and time frame:* Not applicable

### **MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 0 in 2010

*Convictions:* 0 in 2010

*Assets forfeited: criminally:* \$0 in 2010    *civilly:* \$0 in 2010

### **RECORDS EXCHANGE MECHANISM:**

*With U.S.:* YES

*With other governments/jurisdictions:* YES

The Bahamas is a member of the Caribbean Financial Action Task Force, (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:

[http://www.cfatf-gafig.org/downloadables/mer/The\\_Bahamas\\_3rd\\_Round\\_MER\\_\(Final\)\\_English.pdf](http://www.cfatf-gafig.org/downloadables/mer/The_Bahamas_3rd_Round_MER_(Final)_English.pdf)

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The Government of the Commonwealth of the Bahamas should provide adequate resources to its law enforcement, judicial, and prosecutorial bodies in order to enforce existing legislation and safeguard the financial system from possible abuses. The Bahamas should continue to enhance its anti-money laundering/counter-terrorist financing regime by implementing the National Strategy on the Prevention of Money Laundering; by ensuring full compliance with UNSCRs 1267 and 1373; and by implementing a system to collect and analyze information on the cross border transportation of currency. It should also ensure there is a public registry of the beneficial owners of all entities licensed in its offshore financial center.

Additional gaps in the country's legislation include a failure to criminalize participation in an organized criminal group and to tighten the currency transaction reporting system to track people arriving and leaving to all destinations.



## Belize

Belize is not a major regional financial center but is an offshore financial center. In an attempt to diversify Belize's economic activities, authorities have encouraged the growth of offshore financial activities that are vulnerable to money laundering, including offshore banks, insurance companies, trust service providers, mutual fund companies, and international business companies. Belize has pegged the Belizean dollar to the U.S. dollar and continues to offer financial and corporate services to nonresidents in its offshore financial sector, which represents a potential vulnerability for money laundering.

Most money laundering is largely thought to be related to proceeds from U.S. residents participating in unlawful internet gaming. Belize is a transshipment point for marijuana and cocaine. There is a growing indication that money laundering proceeds are related to proceeds from the trafficking of illegal narcotics, psychotropic substances, and chemical precursors, and that they are controlled by local drug trafficking organizations and organized criminals.

Belizean officials suspect that money laundering occurs primarily within the free trade zones. Belizean officials believe the large Corozal Commercial Free Zone (CFZ) that operates at the border with Mexico is involved in trade-based money laundering.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

### ***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** Both

***Legal persons covered: criminally:*** YES      ***civilly:*** YES

### ***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** YES

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:***  
YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

### ***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** Domestic and offshore banks; venture risk capital; money broker, exchange and transmission services; moneylenders and pawnshops; insurance; real estate; credit unions and building societies; trust and safekeeping services

***Enhanced due diligence procedures for PEPs: Foreign:*** NO ***Domestic:*** YES

### ***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

***Covered entities:*** Domestic and offshore banks; venture risk capital; money broker, exchange and transmission services; moneylenders and pawnshops; insurance; real estate; credit unions and building societies; trust and safekeeping services

***Number of STRs received and time frame:*** 67, January 1 through December 13, 2010

***Number of CTRs received and time frame:*** Not applicable



## ***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Six, January 1 through December 13, 2010

***Convictions:*** Five, January 1 through December 13, 2010

***Assets forfeited:*** *criminally:* None *civilly:* \$510,000

## ***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** YES

***With other governments/jurisdictions:*** YES

Belize is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation cannot be found on the CFATF website. A Report on the Observance of Standards and Codes prepared by the IMF can be found at: <http://www.imf.org/external/pubs/ft/scr/2004/cr04373.pdf>

## ***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Belize lacks the resources to effectively enforce anti-money laundering rules. Belize's Financial Intelligence Unit (FIU) has a broad mandate and is severely understaffed. The FIU staff does not have sufficient training or experience in identifying, investigating, reviewing, and analyzing evidence in money laundering cases. Prosecutors and judges also need additional training on financial crimes, including money laundering. Prosecutors assigned to the FIU could also assist with cases going to court, as the FIU is currently forced to contract outside attorneys to prosecute its cases. If implemented, an arrangement for asset sharing may provide additional resources to the FIU.

While it is widely believed that abuse occurs within the offshore sector and in the free trade zones, no one from these organizations has been charged with a financial crime. Belize should require the Commercial Free Zones (CFZ) to be reporting entities. The GOB should become a party to the UN Convention against Corruption.

## **Bolivia**

Bolivia is not a regional financial center, but money laundering activities continue to take place. These illicit financial activities are related primarily to narcotics trafficking, corruption, tax evasion, and smuggling and trafficking of persons. Hotels, currency exchange houses, casinos, cash transporters, informal exchange houses, and wire transfer businesses are not subject to anti-money laundering controls. The Bolivian financial system is highly dollarized, with approximately 50% of deposits and loans distributed in U.S. dollars rather than Bolivianos, the local currency (down from 90% in 2004). Bolivia has 13 free trade zones, located in El Alto, Cochabamba, Santa Cruz, Oruro, Puerto Aguirre, and Desaguadero, for commercial and industrial use.

Bolivia was suspended from the Egmont Group of Financial Intelligence Units (the Egmont Group) in July 2007 because Bolivia has not criminalized terrorist financing. In December of 2008, the Egmont Group expelled Bolivia's FIU from its membership, due to a lack of terrorism financing legislation in Bolivian law. To regain Egmont membership, Bolivia must reapply and provide written evidence of its FIU's compliance with Egmont FIU definitions and requirements.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

**CRIMINALIZATION OF MONEY LAUNDERING:**

*“All serious crimes” approach or “list” approach to predicate crimes:* List approach.

*Legal persons covered: criminally:* YES      *civilly:* YES

**CRIMINALIZATION OF TERRORIST FINANCING:**

*Ability to freeze terrorist assets without delay:* NO

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:*  
YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/2009/140888.htm>)

**KNOW-YOUR-CUSTOMER RULES:**

*Covered entities:* Banks, insurance companies, securities brokers and financial intermediaries

*Enhanced due diligence procedures for PEPs: Foreign:* YES      *Domestic:* YES

**SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

*Covered entities:* Banks, insurance companies, securities brokers and financial intermediaries

*Number of STRs received and time frame:* Not available

*Number of CTRs received and time frame:* Not available

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* Not available

*Convictions:* Not available

*Assets forfeited: criminally:* Not available      *civilly:* Not available

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* NO

*With other governments/jurisdictions:* Not available

Bolivia is a member of the Financial Action Task Force of South America (GAFISUD), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.gafisud.info/pdf/InformeBolivia.pdf>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The expulsion of the U.S. Drug Enforcement Administration from Bolivia in November 2008 has diminished the effectiveness of several financial investigative groups operating in the country, including Bolivia’s Financial Investigative Team, the Bolivian Special Counternarcotics Police, and the Bolivian Special Operations Force. Most money laundering investigations continue to be in the Department of Santa Cruz and are associated with narcotics trafficking organizations.

Bolivia’s expulsion from the Egmont Group bars the UIF from participating in Egmont Group meetings or using the Egmont Secure Web (the primary means of information exchange among Egmont Group member FIUs).

New legislation introduced in March of 2010 provides for money laundering to be treated as an autonomous offense. The law also expands the list of predicate offenses for money laundering but still does not include all offenses recommended in the international standards. The predicate

offenses for money laundering should cover all serious offenses, and Bolivia should seek to extend its laws to the widest range of predicate offenses.

In September 2010, a draft law to criminalize terrorist financing was provided to the Council of Ministers for approval. This draft law also includes provisions addressing the freezing, seizure and confiscation of terrorist-related assets; and gives authority to the FIU to freeze for 48 hours the execution of a transaction suspected of being related terrorist financing. It appears the proposed criminalization of TF requires “intent”. This may pose difficulties in the application and interpretation of the provision. The provision seems to require that the funds are actually used to carry out or attempt a terrorist act. Separately, obligated entities should be required by law or regulation to report to the FIU information related to terrorist financing.

The continued lack of personnel, combined with inadequate resources and weaknesses in Bolivia’s basic legal and regulatory framework, limits the UIF’s reach and effectiveness. Given the UIF’s limited resources relative to the size of Bolivia’s financial sector, compliance with reporting requirements is extremely low. The exchange of information between the UIF and appropriate police investigative entities is also limited, although the UIF does maintain a database of suspect persons that financial entities must check before conducting business with clients.

## Brazil

Brazil is the world’s fifth largest country in size and population, and as of 2010, the eighth largest economy in the world. Brazil is considered a regional financial center for Latin America. It is a major drug-transit country, as well as one of the world’s largest consumer countries. Brazil maintains some controls of capital flows and requires disclosure of the ownership of corporations. Money laundering in Brazil is primarily related to domestic crime, especially drug trafficking, corruption, organized crime, gambling, and trade in various types of contraband. Laundering channels include the use of banks, real estate investment, financial asset markets, luxury goods, remittance networks, informal financial networks, and trade-based money laundering.

Sao Paulo and the Tri-Border Area (TBA) of Brazil, Argentina, and Paraguay are particular areas that possess high risk factors for money laundering. In addition to weapons and narcotics, a wide variety of counterfeit goods, including CDs, DVDs, and computer software (much of it of Asian origin), are routinely smuggled across the border from Paraguay into Brazil. In addition to Sao Paulo and the TBA, other areas of the country are also of growing concern. The Government of Brazil (GOB) and local officials in the states of Mato Grosso do Sul, and Parana, for example, have reported increased involvement by Rio de Janeiro and Sao Paulo gangs in the already significant trafficking in weapons and drugs that plagues Brazil’s western border states.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** List approach

***Legal persons covered:*** criminally: NO civilly: NO

***CRIMINALIZATION OF TERRORIST FINANCING:***

*Ability to freeze terrorist assets without delay:* NO

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:*  
YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

**KNOW-YOUR-CUSTOMER RULES:**

*Covered entities:* Commercial and savings banks and credit unions; insurance companies and brokers; securities, foreign exchange, and commodities brokers/traders; real estate brokers; credit card companies; money remittance businesses; factoring companies; gaming and lottery operators and bingo parlors; dealers in jewelry, precious metals, art and antiques

*Enhanced due diligence procedures for PEPs: Foreign:* YES      *Domestic:* YES

**SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

*Covered entities:* Commercial and savings banks and credit unions; insurance companies and brokers; securities, foreign exchange, and commodities brokers/traders; real estate brokers; credit card companies; money remittance businesses; factoring companies; gaming and lottery operators and bingo parlors; dealers in jewelry, precious metals, art and antiques

*Number of STRs received and time frame:* 56,371 in 2009

*Number of CTRs received and time frame:* 1,746, 494 in 2009

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* Not available

*Convictions:* Not available

*Assets forfeited: criminally:* Not available      *civily:* Not available

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* YES

*With other governments/jurisdictions:* YES

Brazil is a member of the Financial Action Task Force (FATF) and the FATF of South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found here: [www.fatf-gafi.org](http://www.fatf-gafi.org)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The GOB achieved visible results from investments in border and law enforcement infrastructure that were executed with a view to gradually control the flow of goods, both legal and illegal across Brazil's land borders. Anti-smuggling and law enforcement efforts by state and federal agencies have increased. Brazilian Customs and the Brazilian Tax Authority (Receita Federal) continue to take effective action to suppress the smuggling of drugs, weapons, and contraband goods along the border with Paraguay. According to the Receita Federal, in 2009 the agency interdicted a large volume of smuggled goods, including drugs, weapons, and munitions. Because of the effective crackdown on the Friendship Bridge connecting Foz do Iguaçu, Brazil, and Ciudad del Este, Paraguay, most smuggling has migrated to other sections of the border. The Federal Police have Special Maritime Police Units that aggressively patrol the maritime border areas.

## Money Laundering and Financial Crimes

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Legal persons are not subject to direct civil or administrative liability for committing money laundering (ML) offenses. Corporate criminal liability is not possible due to fundamental principles of domestic law. Natural and legal persons are not subject to effective sanctions for ML because systemic problems in the court system seriously hamper the ability to obtain final convictions and sentences, and legal persons are not subject to direct civil/administrative sanctions for committing a ML offense. Very few final convictions for ML and convictions in the first instance are low given the level of ML risk and size of the financial sector. The GOB should take legislative action to establish direct civil or administrative corporate liability for ML and ensure that effective, proportionate and dissuasive sanctions may be applied to legal persons. Brazil also should continue to support the Specialized Federal Courts and other measures to ameliorate the negative impact of some of the systemic problems in the court system which are undermining the ability to effectively apply final sanctions for ML. The GOB should continue taking measures to ensure that the overlapping jurisdiction among federal and state law enforcement authorities does not impede the effectiveness of their ability to investigate ML. Brazil should also continue the PNLD training program and extend it as widely as possible to ensure that police, prosecutors and judges at both the state and federal levels have sufficient training in the investigation and prosecution of ML cases.

Most high-priced goods in the TBA are paid for in US dollars, and cross-border bulk cash smuggling is a major concern. Large sums of US dollars generated from licit and suspected illicit commercial activity are transported physically from Paraguay through Uruguay and Brazil to banking centers in the United States.

In February 2006, U.S. Immigration and Customs Enforcement established a Brazil-based partner Trade Transparency Unit (TTU) to aggressively analyze, identify, and investigate companies and individuals involved in trade-based money laundering activities between Brazil and the United States. As a result of the TTU, Brazil has identified millions of dollars of lost revenue.

The GOB has generally responded to U.S. efforts to identify and block terrorist-related funds. None of the individuals and entities on the UNSCR 1267 Sanctions Committee's consolidated list has been found to be operating or executing financial transactions in Brazil, and the GOB has frequently insisted that there is no evidence of terrorist financing within Brazil. However, in December 2010, the U.S. Treasury Department designated Bilal Mohsen Wehbe, Hizballah's chief representative in South America, as a Specially Designated Global Terrorist (SDGT) under Executive Order 13224. Wehbe has been involved in transferring funds collected in Brazil to Hizballah in Lebanon. In 2009, based on information provided by the F.B.I., a man was arrested in Sao Paulo on suspicion that he was connected to the Jihad Media Battalion, a known terrorist organization with possible ties to Al Qaeda. However, a Brazilian judge ordered his release after several weeks, and the GOB has taken the position he had no demonstrable ties to any terrorist activity.

Although Brazil is a party to the United Nations International Convention for the Suppression of the Financing of Terrorism, it has not criminalized terrorist financing in a manner that is consistent with international standards. Terrorist financing is a predicate offense for money laundering but is not an autonomous offense in Brazil; however, a bill awaiting legislative action contains language that could resolve this gap.

## British Virgin Islands

The British Virgin Islands (BVI) is a United Kingdom (UK) overseas territory with a population of approximately 22,000. The economy depends greatly on tourism and its offshore financial sector. As of September 2010, there were 456,547 active companies, 237 licensed banks and 2,951 mutual funds registered with the BVI Financial Services Commission (FSC). BVI's unique share structure that does not require a statement of authorized capital as well as the lack of mandatory filing of ownership, pose significant money laundering risks. Tourism accounts for 45 percent of the economy and employs the majority of the workforce. Financial services are very important, however, contributing over half of government revenues. BVI remains vulnerable to money laundering practices through its drug trafficking trade and the exploitation of its offshore financial services. BVI's proximity to the U.S. Virgin Islands and the use of the U.S. dollar for its currency pose risk factors for money laundering. The BVI are a major target for drug traffickers, who use the area as a gateway to the United States. Drug trafficking in general is a serious problem.

BVI is a well established center offering accounting, banking and legal services; captive insurance; company incorporations; mutual funds administration; trust formation; and shipping registration. The FSC is the sole supervisory authority responsible for the licensing and supervision of financial institutions under the relevant statutes.

While gaming is prohibited in the Virgin Islands, casinos have been incorporated in the definition of relevant business under the AML/CFT regime.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All crimes approach

***Legal persons covered:*** criminally: YES civilly: YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** YES

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:***  
NO

***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** Banks; currency exchanges; charities and nonprofit associations; dealers in autos, yachts, and heavy machinery; dealers in precious metals and stones; and leasing companies

***Enhanced due diligence procedures for PEPs:*** Foreign: YES Domestic: YES

***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

***Covered entities:*** Banks; currency exchanges; charities and nonprofit associations; dealers in autos, yachts, and heavy machinery; dealers in precious metals and stones; and leasing companies

***Number of STRs received and time frame:*** 191 in 2010

## Money Laundering and Financial Crimes

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*Number of CTRs received and time frame:* Not available

### **MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 0 in 2010

*Convictions:* 0 in 2010

*Assets forfeited: criminally: 0 civilly: 0*

### **RECORDS EXCHANGE MECHANISM:**

*With U.S.:* YES

*With other governments/jurisdictions:* YES

BVI is a member of the Caribbean Financial Action Task Force, (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:

<http://www.cfatf->

[gafic.org/downloadables/mer/Virgin\\_Islands\\_3rd\\_Round\\_MER\\_\(Final\)\\_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Virgin_Islands_3rd_Round_MER_(Final)_English.pdf)

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Reporting institutions are advised to monitor relevant websites for names of suspected terrorists and related organizations. No specific guidance has been issued to outline reporting institutions' obligations to freeze funds of designated terrorists and terrorist organizations.

The U.S. and the British Virgin Islands established a Tax Information Exchange Agreement (TIEA) in 2006. Application of the US - UK mutual legal assistance treaty (MLAT) concerning the Cayman Islands was extended to the BVI in 1990. The FSC cooperates with foreign counterparts and law enforcement agencies. In 2000, the Information Assistance (Financial Services) Act (IAFSA) was enacted to increase the scope of cooperation between the BVI's regulators and regulators from other countries.

While BVI legislation has strengthened due diligence requirements where a representative is acting on another person's behalf or when the customer is resident in another country which does not fully comply with FATF rules, and has extended regulation to money value transfer service operators these laws are too new to be evaluated. The FSC should increase its staffing in order to meet the recommended inspection and reporting requirements, especially in light of the new entities covered under the law. The lack of prosecutions for money laundering and a reported decline in number of inspections suggests that the FSC should work closely with law enforcement and other authorities. In addition, while real estate agents, lawyers, other independent legal advisers, accountants, dealers in precious metals and stones are covered by the AML/CFT regulations, there appears to be no effective mechanism to ensure compliance with AML/CFT requirements.

The British Virgin Islands is a United Kingdom (UK) Caribbean overseas territory and cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for the BVI's international affairs and may arrange for the ratification of any convention to be extended to the BVI. The 1988 Drug Convention was extended to the BVI in 1995. The UN Convention against Corruption was extended to the BVI in 2006. The International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Transnational Organized Crime have not yet been extended to the BVI.



## Burma

Burma is not a regional or offshore financial center. Its strategic geographic location, prolific drug production, and lack of transparency make it an attractive transit country for money laundering. While its underdeveloped economy is not adequate as a destination to harbor funds, the low risk of enforcement and prosecution make it appealing to the criminal underground. Drug trafficking, human trafficking, and public corruption are major sources of illicit proceeds. Money launderers also exploit the illegal trade in wildlife, gems, and timber, and trade-based money laundering is of increasing concern.

Burma is second only to Afghanistan in opium production, and is increasingly a source of methamphetamine and amphetamine type substances. Its long, porous borders are poorly patrolled. In some remote regions where smuggling is active, ongoing ethnic tensions, and in some cases armed conflict, impede government territorial control. In other areas, political arrangements between traffickers and Burma's ruling military government allow organized crime groups to function with minimal risk of interdiction.

The Government of Burma (GOB) dominates the economy. State-owned enterprises and military holding companies control a substantial portion of Burma's resources. A move toward privatization in 2010 transferred significant assets to private parties; however, most new owners appear to be business associates of the ruling generals, and some are allegedly connected to drug trafficking.

Corruption is endemic in both business and government. Transparency International's 2010 Corruption Perception Index ranked Burma 176 out of 178 countries. This extensive corruption and overall lack of governmental transparency has stymied the GOB's gestures toward financial reforms. The GOB enacted several reforms in the past several years to reduce vulnerability to drug money laundering in the banking sector. However, connections to powerful patrons still outweigh rule of law, and Burma continues to face significant risk of drug money being funneled into commercial ventures.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

*"All serious crimes" approach or "list" approach to predicate crimes:* List approach

*Legal persons covered: criminally:* YES      *civilly:* NO

***CRIMINALIZATION OF TERRORIST FINANCING:***

*Ability to freeze terrorist assets without delay:* YES

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:*  
YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

***KNOW-YOUR-CUSTOMER RULES:***

*Covered entities:* None



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*Enhanced due diligence procedures for PEPs: Foreign:* NO    *Domestic:* NO

### **SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

*Covered entities:* Banks, customs officials, state-owned insurance company and small loans enterprise, securities exchange, the Andaman Club Resort Hotel (the only licensed money changer) accountants, the legal and real estate sectors and dealers of precious metals and stones

*Number of STRs received and time frame:* Not available

*Number of CTRs received and time frame:* Not available

### **MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* Not available

*Convictions:* Not available

*Assets forfeited: criminally:* Not available    *civilly:* Not available

### **RECORDS EXCHANGE MECHANISM:**

*With U.S.:* NO

*With other governments/jurisdictions:* YES

Burma is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. Its most recent evaluation can be found at:

<http://www.apgml.org/documents/docs/17/Myanmar%202008.pdf>

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Burma's financial sector is extremely underdeveloped and most currency is held outside the formal banking system. The informal economy generates few reliable records, and the GOB makes no meaningful efforts to ascertain the amount or source of income or value transfers. The GOB's lack of engagement extends to its financial institutions. Some Burmese financial institutions may engage in currency transactions related to international narcotics trafficking that include significant amounts of U.S. currency. However, the absence of publicly available GOB information on this issue precludes confirmation of such conduct. Burmese law does not contain any customer due diligence requirements, although some entities follow such procedures under other, non-AML related legal provisions.

Corruption is pervasive in every level of government. Senior military officials are essentially above the law and free to engage in a range of activities designed to enrich themselves and maintain their hold on power. Government workers do not receive a living wage and may seek bribes as additional "compensation." Officials who resist the rampant corruption are impeded by the military's control over all civilian authority, including the police. The GOB should end all policies that facilitate corrupt practices, including strengthening its oversight of the formal financial sector and implementing a transparent transaction reporting regime. The FIU should become a fully funded independent agency that functions without interference, and the GOB should supply adequate resources to administrative and judicial authorities for their enforcement of government regulations. The GOB should become a party to the UN Convention against Corruption.

## Cambodia

Cambodia is neither a regional nor an offshore financial center. Cambodia's fledgling anti-money laundering regime; cash-based, dollarized economy with an active informal banking system; porous borders; loose oversight of casinos; and limited capacity of the National Bank of Cambodia to oversee the fast growing financial and banking industries contribute to a significant money laundering risk.

Cambodia has a significant black market for smuggled goods, including drugs and imported substances for local production of the methamphetamine ATS. Both licit and illicit transactions, regardless of size, are frequently done outside of formal financial institutions, and are difficult to monitor. Proceeds from crime are readily channeled into land, housing, luxury goods or other forms of property. The majority of real estate transactions are done without a registered real estate agent, and buyers and sellers determine the price of the property without reference to an independent valuation system.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes

***Legal persons covered: criminally:*** YES      ***civilly:*** YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** YES

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:*** NO

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** Banks; micro-finance institutions; credit cooperatives; security brokerage firms and insurance companies; leasing companies; exchange offices/money exchangers; real estate agents; money remittance services; dealers in precious metals, stones and gems; post office operating payment transactions; lawyers, notaries, accountants, auditors, investment advisors and asset managers; casinos and gambling institutions; non-governmental organizations (NGOs) and foundations doing business and raising funds; and any other institutions or professions designated by the Financial Intelligence Unit to fall within the scope of the present law

***Enhanced due diligence procedures for PEPs: Foreign:*** YES      ***Domestic:*** NO

***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

***Covered entities:*** Banks; micro-finance institutions; credit cooperatives; security brokerage firms and insurance companies; leasing companies; exchange offices/money exchangers; real estate agents; money remittance services; dealers in precious metals, stones and gems; post office operating payment transactions; lawyers, notaries, accountants, auditors, investment advisors and asset managers; casinos and gambling institutions; NGOs and foundations doing

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business and raising funds; and any other institutions or professions designated by the Financial Intelligence Unit to fall within the scope of the present law

**Number of STRs received and time frame:** 96 (January through October 2010)

**Number of CTRs received and time frame:** 359,599 (January through October 2010)

### **MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 0

**Convictions:** 0

**Assets forfeited: criminally:** Not available      **civilly:** Not available

### **RECORDS EXCHANGE MECHANISM:**

**With U.S.:** NO

**With other governments/jurisdictions:** YES

Cambodia is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

<http://www.apgml.org/documents/docs/17/Cambodia%20World%20Bank%20DAR%20July%2007.pdf>

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The Government of Cambodia (GOC) has not fully implemented its current AML/CFT legislation, and its list of covered entities is incomplete. The GOC should issue additional decrees, mandating compliance of designated non-financial businesses and professions with the reporting requirements established by the AML/CFT law, and provide training to commercial bankers. Given the high level of corruption in Cambodia, the GOC should also require special due diligence for domestic politically exposed persons (PEPs). Cambodia does not have, and has not offered, a safe harbor provision. The government should propose such a provision in the short term.

By regulation, banks are individually responsible for maintaining and monitoring the list of designated terrorists or terrorist entities; however, the GOC does not distribute the UN lists.

The GOC should also expand the authorities of the Cambodian Financial Intelligence Unit (CAFIU). At present, the CAFIU lacks the power to enforce AML/CFT laws. As a result, few covered entities follow STR reporting guidelines.

While Article 30 of the AML/CFT law provides for the confiscation of property in cases where someone is found guilty of money laundering as stipulated in the penal code, the law is vague, and does not describe a system of asset forfeiture. Cambodia should clearly define the system of asset forfeiture, and establish a regulation to implement the system.

Law enforcement capacity remains quite limited, and is hindered by corruption and a weak investigative and prosecutorial infrastructure. There have been no money laundering prosecutions or convictions since 2007, when two suspects were arrested but not convicted. Elements of the Ministry of Finance, the new Anti-Corruption unit, and the Cambodian National Police are receiving training on complex financial crimes. While the law enforcement training plan is long term and progressive, until the GOC fully implements AML/CFT legislation and addresses corruption, Cambodia will remain a high-risk environment for money laundering operations.

## Canada

Money laundering in Canada is primarily associated with drug trafficking and financial crimes, particularly those related to fraud. With roughly \$1.4 billion in trade crossing the United States and Canadian borders each day, both governments share concerns about illicit cross-border movements of currency, particularly the proceeds of drug trafficking. Organized criminal groups are involved in drug trafficking, contraband smuggling, illegal arms sales, migrant smuggling and white-collar crimes. The Criminal Intelligence Service Canada estimates that over 900 organized crime groups operate in Canada, with the vast majority involved in the illicit drug trade.

Money laundering generally occurs through the following methods: smuggling; money service businesses and currency exchanges; casinos; purchase of real estate; wire transfers; establishment of offshore corporations; credit cards, stored value cards and new payment methods. Criminals have also used internet payments or gold bullion to move funds.

Casinos now are required to report large disbursements and suspicious transactions. In 2010, the first year of reporting, 43,752 casino disbursement reports were filed. Alternative remittance systems, such as hawala, hundi, and chitti are also required to report.

There are no free trade zones or offshore financial institutions.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** List approach

***Legal persons covered: criminally:*** NO      ***civily:*** YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** YES

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:***  
YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** Banks; credit unions; life insurance companies; trust and loan companies; brokers/dealers of securities; foreign exchange dealers; money services businesses; sellers and redeemers of money orders; accountants; real estate brokers; casinos; lawyers; notaries (in Québec and British Columbia only) and dealers in precious metals and stones

***Enhanced due diligence procedures for PEPs: Foreign:*** YES      ***Domestic:*** NO

***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

***Covered entities:*** banks; credit unions; life insurance companies; trust and loan companies; brokers/dealers of securities; foreign exchange dealers; money services businesses; sellers and redeemers of money orders; accountants; real estate brokers; casinos; lawyers; notaries (in Québec and British Columbia only) and dealers in precious metals and stones

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*Number of STRs received and time frame:* 64,240 April 2009 through March 2010

*Number of CTRs received and time frame:* 6,868,506 April 2009 through March 2010

### ***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

*Prosecutions:* 211 April 2005 through March 2006

*Convictions:* Ten April 2005 through March 2006

*Assets forfeited:* *criminally:* \$17.5 million *civily:* Not available

### ***RECORDS EXCHANGE MECHANISM:***

*With U.S.:* YES

*With other governments/jurisdictions:* YES

Canada is a member of the Financial Action Task Force (FATF) as well as the Asia/Pacific Group on Money Laundering (APG), and is a supporting nation of the Caribbean Financial Action Task Force (CFATF). Both APG and CFATF are FATF-style regional bodies. Canada's most recent published mutual evaluation can be found here:

[http://www.fatf-gafi.org/document/58/0,3343,en\\_32250379\\_32236963\\_40199098\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/document/58/0,3343,en_32250379_32236963_40199098_1_1_1_1,00.html)

### ***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Lawyers in several provinces have successfully challenged the applicability of the AML law to them based upon common law attorney-client privileges, therefore, lawyers are not completely covered by the AML provisions.

The United States and Canada signed a memorandum of understanding (MOU) in November 2010 to track the movement of illicit currency by sharing data on currency seized at the border. The MOU will significantly enhance the ability of law enforcement officers in both countries to investigate and track illicit cash movements and disrupt the flow of funds that support the activities of criminals and terrorists.

Money laundering offenses have a higher threshold for prosecution and conviction than the offense of benefiting from the proceeds of crime. Criminals appear willing to forfeit assets and plead guilty to lesser charges to avoid prosecution under AML and proceeds of crime statutes.

While the law provides sufficient powers to Canadian law enforcement to pursue money launderers, the budget for relevant law enforcement authorities has not increased; additional resources could increase the effectiveness of existing laws. Provincial and federal statistics should be tracked jointly. Appropriately tracking these cases could reveal a more robust rate of money laundering related convictions.

Canada should continue oversight and increase follow-up of the relatively new AML/CFT measures within the casino industry; reduce the length of time needed for FINTRAC to prepare reports used by law enforcement authorities (average number of days for a report dropped from 82 to 68 from 2009-2010); and maintain the monitoring of the money services business registry. Canada also should continue to ensure its privacy laws do not excessively prohibit provision of information to domestic and foreign law enforcement that might lead to prosecutions and convictions.

## Cayman Islands

The Cayman Islands, a United Kingdom (UK) Caribbean overseas territory is an offshore financial center. Most money laundering that occurs in the Cayman Islands is primarily related to fraud and drug trafficking. Due to its status as a zero-tax regime, the Cayman Islands is also considered attractive to those seeking to evade taxes in their home jurisdiction.

The Cayman Islands is home to a well-developed offshore financial center that provides a wide range of services, including banking, structured finance, investment funds, various types of trusts, and company formation and management. As of December 2010, the banking sector had \$1.73 trillion in assets. There were approximately 245 banks, 150 active trust licenses, 738 captive insurance companies, eight money service businesses, and more than 85,000 companies licensed or registered in the Cayman Islands. According to the Cayman Islands Monetary Authority (CIMA), at year end 2010, there were approximately 9,400 mutual funds. Shell banks are prohibited, as are anonymous accounts. Bearer shares can only be issued by exempt companies and must be immobilized.

Gambling is illegal; and the Cayman Islands do not permit the registration of offshore gaming entities. There are no free trade zones and the authorities do not see risks from bulk cash smuggling related to the large number of cruise ships that dock at the island.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

### ***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes

***Legal persons covered: criminally:*** YES      ***civilly:*** YES

### ***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** YES

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:*** YES

### ***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** Banks, trust companies, investment funds, fund administrators, insurance Companies and managers, money service businesses, corporate and trust service providers, money transmitters, dealers of precious metals and stones, and the real estate industry

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES

### ***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

***Covered entities:*** Banks, trust companies, investment funds, fund administrators, insurance Companies and managers, money service businesses, corporate and trust service providers, money transmitters, dealers of precious metals and stones, and the real estate industry

***Number of STRs received and time frame:*** 308 in 2010

***Number of CTRs received and time frame:*** Not applicable

### ***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Eight 2003 - 2010



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**Convictions:** Six 2003 - 2010; only one since 2006

**Assets forfeited:** *criminally:* Approximately \$6 million *civilly:* Not available

### **RECORDS EXCHANGE MECHANISM:**

**With U.S.:** YES

**With other governments/jurisdictions:** YES

The Cayman Islands is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found here:

[http://www.cfatf-gafic.org/downloadables/mer/Cayman\\_Islands\\_3rd\\_Round\\_MER\\_\(Final\)\\_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Cayman_Islands_3rd_Round_MER_(Final)_English.pdf)

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

While the country has increased both its regulatory and law enforcement staffing, the number of prosecutions and convictions is extremely low given the vast scale of the country's financial sector; only six successful prosecutions for money laundering, and only one in the last four years.

Private trust companies and individuals who carry on trust businesses or act as trustees are exempt from licensing requirements and the AML requirements. In addition, the lack of penalties for failing to report ownership and identity information undermines the effectiveness of these obligations. This is a problem in particular for an estimated 3,000 unregulated mutual funds resident in the Cayman Islands. In addition, there appear to be no requirements for companies, trusts and partnerships to retain records for at least five years.

The Cayman Islands should continue to computerize various registrations, such as those for mutual funds. There is a need to pay greater attention to the risks and proper supervision of non-profit organizations.

In January 2010, an anti-corruption law took effect which criminalizes bribery and formalizes international cooperation. Amendments to the Criminal Justice (International Co-operation) Act were passed in February 2010. These laws provided measures for investigation, prosecution and confiscation of the proceeds of all serious crimes and broadened international assistance to include not only drug trafficking but all serious crimes, including official corruption and other types of transnational crime.

In 1986, the United States and the United Kingdom signed a Mutual Legal Assistance in Criminal Matters Treaty (MLAT) concerning the Cayman Islands. By a 1994 exchange of notes, Article 16 of that treaty has been deemed to authorize asset sharing between the United States and the Cayman Islands.

The Cayman Islands is a United Kingdom (UK) Caribbean overseas territory and cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for the Cayman Islands' international affairs and may arrange for the ratification of any Convention to be extended to the Cayman Islands. The 1988 Drug Convention was extended to the Cayman Islands in 1995 and is implemented through several laws. The UN Convention against Corruption and the UN Convention against Transnational Organized Crime have not yet been extended to the Cayman Islands. However, the full implementation platform for the anti-corruption convention exists under current Cayman law. A 2002 request for extension of the International Convention for the Suppression of the Financing of Terrorism to the Cayman

Islands has not yet been finalized by the UK, although the provisions of the Convention also are implemented by domestic laws.

## China, People's Republic of

China is a major global financial center, with a rapidly growing economy and increased integration in the international market. The primary sources of criminal proceeds are corruption, narcotics and human trafficking, smuggling, economic crimes, intellectual property theft, counterfeit goods, crimes against property, and tax evasion. Money is generally laundered through bulk cash smuggling, trade-based fraud (over/under pricing of goods, falsified bills of lading and customs declarations, counterfeit import/export contracts), and both the formal and underground banking systems. The use of cash-intensive, non-financial sectors such as real estate has increased, as has the use of e-currency, online exchanges, and the exploitation of investment vehicles such as forward exchange rate contracts and financial derivatives.

Most money laundering cases currently under investigation involve funds obtained from corruption and bribery. Proceeds of tax evasion, recycled through offshore companies, often return to China disguised as foreign investment and, as such, receive tax benefits. Chinese officials have noted that most acts of corruption in China are closely related to economic activities that accompany illegal money transfers.

Chinese authorities have observed that the increase in AML efforts by banks has been accompanied by increased laundering through the underground banking system and trade fraud. Value transfer via trade goods, including barter exchange, is a common component in Chinese underground finance. Many Chinese underground trading networks in Africa, Asia, the Middle East, and the Americas participate in the trade of Chinese-manufactured counterfeit goods.

China has multiple Special Economic Zones (SEZs) and other designated development zones at the national, regional, and local levels. SEZs include Shenzhen, Shantou, Zhuhai, Xiamen, and Hainan, along with 14 coastal cities and over 100 designated development zones. It is not a major offshore financial center.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES***

***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* List approach

*Legal persons covered:* criminally: YES civilly: YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

*Ability to freeze terrorist assets without delay:* NO

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:*  
YES

***KNOW-YOUR-CUSTOMER RULES:***

*Covered entities:* Banks, securities dealers, insurance companies

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: YES

***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***



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**Covered entities:** Banks, securities dealers, and insurance companies

**Number of STRs received and time frame:** 42,933,226 in 2009

**Number of CTRs received and time frame:** China does not separate STRs and CTRs

### **MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** Not available

**Convictions:** 10,674 in 2009

**Assets forfeited:** *criminally:* Not available      *civilly:* Not available

### **RECORDS EXCHANGE MECHANISM:**

**With U.S.:** YES

**With other governments/jurisdictions:** YES

China is a member of the Financial Action Task Force (FATF), as well as the Asia/Pacific Group on Money Laundering (APG) and the Eurasian Group on Combating Money Laundering and Terrorist Financing (EAG), both of which are FATF-style regional bodies (FSRB). Its most recent mutual evaluation can be found here:

<http://www.fatf-gafi.org/dataoecd/33/11/39148196.pdf>

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The Government of China (GOC) has strengthened the legal framework for its overall AML/CFT regime, notably by clarifying the suspicious transaction reporting obligations of Chinese banks and by increasing the number of money laundering investigations, prosecutions, and convictions. However, even though it is mandatory, the courts do not systematically pursue the confiscation of criminal proceeds, which undermines any disincentive to commit the crime. The GOC should ensure that all courts are aware of the mandatory confiscation laws, and ensure uniform implementation.

China's terrorist financing legislation has significant gaps, including the inability to freeze terrorist assets without delay. China should enact comprehensive terrorism and terrorist financing legislation and create a mechanism to freeze terrorist assets without delay. China should also enhance coordination between its financial regulators and law enforcement bodies to better investigate and prosecute offenders.

Chinese financial regulators have made progress in recent years in applying AML/CFT controls to China's developing financial system; however, enforcement efforts need strengthening to keep pace with the sophistication and reach of criminal and terrorist networks.

The GOC has become more open to working across borders on money laundering and terrorist financing investigations. However, U.S. law enforcement agencies note that the GOC has not cooperated sufficiently on financial investigations and does not provide adequate responses to requests for financial investigation information. The GOC should expand cooperation with counterparts in the United States and other countries and pursue international linkages in AML/CFT efforts more aggressively. U.S. agencies have continued to seek to expand cooperation with Chinese counterparts on AML/CFT matters and to strengthen both policy- and operational-level cooperation in this critical area.

## Colombia

The Government of Colombia (GOC) is a regional leader in the fight against money laundering. The GOC has a forceful anti-money laundering/counter-terrorist financing (AML/CFT) regime. However, the laundering of money from Colombia's illicit cocaine and heroin trade continues to penetrate its economy and affect its financial institutions. Both drug and money laundering organizations use a variety of methods to repatriate their illicit proceeds to Colombia. These methods include the Black Market Peso Exchange, trade based value transfer, bulk cash smuggling, *reintegró* (wire transfers), remittances, smuggled merchandise (contraband) and more recently, electronic currency and prepaid debit cards.

In addition to drug-related money laundering, laundered funds are also derived from commercial smuggling for tax and import duty evasion, kidnapping, arms trafficking, and terrorism connected to violent, illegally-armed groups and guerrilla organizations. Further, money laundering is carried out to a large extent by U.S. Government-designated terrorist organizations. Criminal elements have used the banking sector, including exchange houses, to launder money. Money laundering also has occurred via trade and the non-bank financial system, especially related to transactions that support the informal or underground economy. The trade of counterfeit items in violation of intellectual property rights is an ever increasing method to launder illicit proceeds. Casinos, free trade zones and the postal money order market in Colombia present opportunities for criminals to take advantage of inadequate regulation and transparency. Although corruption of government officials remains a problem, its scope has decreased significantly in recent years.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** List approach

***Legal persons covered: criminally:*** YES ***civilly:*** YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** NO

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:***  
YES

Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>

***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** Banks, stock exchanges and brokers, mutual funds, investment funds, export and import intermediaries, credit unions, wire remitters, money exchange houses, public agencies, notaries, casinos, lottery operators, car dealers, and foreign currency traders

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** Not available ***Domestic:*** Not available

***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

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**Covered entities:** Banks, stock exchanges and brokers, mutual funds, investment funds, export and import intermediaries, credit unions, wire remitters, money exchange houses, public agencies, notaries, casinos, lottery operators, car dealers, and foreign currency traders

**Number of STRs received and time frame:** 9,600 in 2010

**Number of CTRs received and time frame:** Not available

### **MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 408 investigations and/or prosecutions in 2009

**Convictions:** 54 in 2009

**Assets forfeited:** *criminally:* Approximately \$1.3 million in 2009 *civilly:* Not available

### **RECORDS EXCHANGE MECHANISM:**

**With U.S.:** YES

**With other governments/jurisdictions:** YES

Colombia is a member of the Financial Action Task Force (FATF) of South America (GAFISUD) a FATF-style regional body. Its most recent mutual evaluation can be found here: <http://www.gafisud.info/home.htm>

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

In the Black Market Peso Exchange (BMPE), goods from abroad, particularly the United States, are bought with drug dollars. Many of the goods are either smuggled into Colombia or brought directly into Colombia's customs warehouses, thus avoiding various taxes, tariffs and legal customs duties. In other trade-based money laundering schemes, goods are over-or-under invoiced to transfer value. Reportedly, evasion of the normal customs charges is frequently facilitated by the drug and money laundering groups corrupting Colombian oversight authorities.

To help combat BMPE and other financial crimes, in 2005, a Colombian-based trade transparency unit (TTU) was created by U.S. Immigration and Customs Enforcement to analyze, identify and investigate companies and individuals involved in trade-based money laundering activities between Colombia and the United States. In the past year, the Colombian TTU has worked to enhance the quality and quantity of trade data shared, expanding its investigative capacity.

While the Colombian financial system has banking controls and governmental regulatory processes in place, it is reported that drug and money laundering groups have influenced high level bank officials in order to circumvent both established anti-money laundering controls and government regulations. Official corruption has also aided money laundering and terrorist financing in geographic areas controlled by the Revolutionary Armed Forces of Colombia (FARC).

According to the Prosecutor General's Office, 236 people were arrested in 2009 for money laundering crimes connected to drug trafficking, terrorism, and other felonies. The GOC cooperates extensively with U.S. law enforcement agencies to identify, target and prosecute groups and individuals engaged in financial and drug crimes. Colombia is working with other member countries of GAFISUD to develop a common PEP standard and to share its PEP list with other financial intelligence units.

The Colombian government regularly carries out asset seizure operations against a myriad of drug trafficking and other criminal organizations throughout Colombia. Freezing assets is very quick and efficient under Colombian law, while forfeiture can take between 1-3 years. The biggest difficulty in Colombia is administering seized assets. The National Drug Directorate

(DNE) – as a legal institution – lacks the technical expertise to administer seized assets. The proceeds from asset seizures or forfeitures are by law used to fund various projects, such as the construction of new high-security prisons, low-income government housing, or specific educational initiatives. However, many assets have lost their value over time due to poor administration, and the National Drug Directorate (DNE) has been unable to conduct studies to evaluate and monitor the impact of its efforts.

Colombian law is unclear on the government's authority to block assets of individuals and entities on the UN 1267 Sanctions Committee consolidated list. In addition to the UN lists, banks also monitor the Office of Foreign Assets Control's publication of Specially Designated Narcotics Traffickers, pursuant to Executive Order (EO) 12978, and the Foreign Narcotics Kingpin Designation Act, and Specially Designated Global Terrorists, pursuant to E.O. 13224.

## Costa Rica

While Costa Rica is not a major regional financial center, it remains vulnerable to money laundering and other financial crimes. Illicit proceeds from fraud, trafficking in persons, arms, narcotics trafficking (mainly cocaine), and corruption are laundered in Costa Rica. To a limited extent, money laundering/terrorist financing occurs across the formal financial sector, within the free trade zones (FTZs), and in the non-bank financial system. Costa Rica has 33 FTZs, used by approximately 270 companies. In addition, Costa Rica has a sizeable internet gaming industry which in practice is almost unregulated. While local criminals are active, the majority of laundered criminal proceeds derive from foreign criminal activity. Costa Rica does not have a significant market for smuggled goods, however, criminal organizations involved in fraud, trafficking in persons, arms, narcotics trafficking, and corruption are known to utilize the international trade system to move and launder their criminal proceeds.

The Government of Costa Rica (GOCR) reports that Costa Rica is primarily used as a bridge to send funds to and from other jurisdictions using, in many cases, companies or banks established in offshore financial centers. Nicaraguans residing in Costa Rica send approximately \$200 million in remittances annually to family members in their home country, much of which is sent via unlicensed money remitters. These unregulated businesses are a significant risk for money laundering and a potential mechanism for terrorist financing.

Costa Rica has demonstrated a genuine commitment to strengthening its anti-money laundering/counter-terrorist financing (AML/CFT) regime. As a result of a law passed in 2009, in 2010 Costa Rica continued implementing new regulations directed at combating money laundering, terrorist financing, and organized crime. Costa Rica also created a new National Anti-Drug Commissioner position that is responsible for monitoring and evaluating the GOCR's policies and plans to combat money laundering.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***All serious crimes approach or list approach to predicate crimes:*** All serious crimes

***Legal persons covered: criminally:*** NO      ***civilly:*** YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

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*Ability to freeze terrorist assets without delay:* NO

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:*  
YES

### **KNOW-YOUR-CUSTOMER RULES:**

*Covered entities:* Banks and savings and loan cooperatives; pension funds; money exchangers or remitters; investment fund and safekeeping companies; credit institutions; issuers, sellers or redeemers of travelers checks and postal money orders; and securities dealers

*Enhanced due diligence procedures for PEPs: Foreign:* YES *Domestic:* YES

### **SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

*Covered entities:* Banks and savings and loan cooperatives; pension funds; money exchangers or remitters; fiduciary trust, investment fund and safekeeping companies, and asset managers; credit institutions; issuers, sellers or redeemers of travelers checks and postal money orders; securities dealers; and real estate agents

*Number of STRs received and time frame:* 304 from January to December 2010

*Number of CTRs received and time frame:* Not available

### **MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* Not available

*Convictions:* Ten - January through October 2010

*Assets forfeited: criminally:* \$9,693,214.00 in FY2010 *civilly:* Not applicable

### **RECORDS EXCHANGE MECHANISM:**

*With U.S.:* YES

*With other governments/jurisdictions:* YES

In December 2010, the Financial Action Task Force of South America (GAFISUD) admitted Costa Rica as a member, formally marking its departure from the Caribbean Financial Action Task Force (CFATF). Its most recent mutual evaluation can be found here: <http://www.cfatf-gafic.org/mutual-evaluation-reports.html>

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Money laundering cannot be charged as an additional offense to the predicate crime (e.g., a drug dealer who is convicted on drug charges cannot also be prosecuted for laundering the drug proceeds). In addition, criminal liability does not extend to legal persons.

There are over 250 Internet sports book companies registered to operate in Costa Rica. The industry transacts approximately \$12 billion annually and employs 10,000 people. This industry in practice is almost unregulated. The FIU reports that Costa Rican attorneys oftentimes conduct cash purchases of real estate on behalf of persons located in the U.S. The FIU has had significant difficulties verifying the identity and source of funds for those purchases.

The FIU does not directly receive cash transaction reports (CTRs). Each supervisory entity that receives CTRs holds them unless it determines that further analysis is required or the FIU requests the reports.

Costa Rica fully cooperates with appropriate United States government law enforcement agencies investigating financial crimes related to narcotics and other crimes. Additionally, Costa Rica has a tax information exchange agreement with the U.S.

Law 8719 authorizes the FIU to administratively freeze assets or accounts that are subject to an ongoing money laundering or narcotics investigation by the host government authority without a prior Court order (a judicial order must be obtained within 5 days after the seizure). This provision was used in several money laundering cases involving bulk cash smuggling during 2010. Although the GOCR enacted a provision to allow for civil forfeitures in 2009, no case has been pursued by prosecutors. The prosecutors state they have been reluctant to try cases under this law, because they fear these cases will not hold up in court. Based on the non-use of this provision, it is unclear whether the GOCR will assist other countries in obtaining non-conviction-based forfeiture.

Several pieces of real property were identified and frozen by the U.S. Office of Foreign Asset Control (OFAC) owned by a Colombian National that resides in Costa Rica and uses his farms to launder funds for the FARC. This subject and his property were named as a second tier in the King-Pin Act with money laundering ties to the FARC. Shortly after the OFAC report was publicized in Costa Rica the subject fled Costa Rica and returned to Colombia.

## Cyprus

Cyprus has been divided since 1974. Since then, the Republic of Cyprus (ROC) has controlled the southern two-thirds of the country, while a Turkish Cypriot administration calling itself the “Turkish Republic of Northern Cyprus (TRNC)” controls the northern part. Only Turkey recognizes the “TRNC.” The U.S. Government recognizes only the Republic of Cyprus. This section of the report discusses the area controlled by the ROC. A separate section on the area administered by Turkish Cypriots follows at the end.

Cyprus is a major regional financial center with a robust financial services industry and a significant amount of nonresident businesses. A number of factors have contributed to the development of Cyprus as a financial center: a preferential tax regime; double tax treaties with 44 countries (including the United States, several European Union (EU) nations, and former Soviet Union nations); a sophisticated telecommunications infrastructure; and EU membership. In 2003, Cyprus introduced tax and legislative changes effectively abolishing all legal and substantive distinctions between domestic and offshore companies. Cyprus has also lifted the prohibition from doing business domestically and companies formerly classified as offshore are now free to engage in business locally. International business companies are allowed to be registered in Cyprus but their ultimate beneficial ownership must be disclosed to the authorities. There are over 220,000 companies registered in Cyprus, many of which are non-resident. The same disclosure, reporting, tax and other laws and regulations apply equally to all registered companies.

Like any financial center, Cyprus remains vulnerable to money laundering and illicit finance activities. Simple financial crime constitutes the biggest threat for domestic money laundering and tax evasion internationally. There is no significant black market for smuggled goods in Cyprus. What little black market trade exists is usually related to small scale transactions, typically involving fake clothing, pirated CDs/DVDs and cigarettes moved across the UN-patrolled buffer zone separating the ROC from the “TRNC”.

Cyprus has three free trade zones (FTZs). Two, located in the main seaports of Limassol and Larnaca, are used only for transit trade, while the third, located near the international airport in

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Larnaca, can also be used for repacking and reprocessing. These areas are treated as being outside normal EU customs territory. Consequently, non-EU goods placed in FTZs are not subject to any import duties, VAT or excise tax. FTZs are governed under the provisions of relevant EU and Cypriot legislation. The Department of Customs has jurisdiction over all three areas and can impose restrictions or prohibitions on certain activities, depending on the nature of the goods.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes

***Legal persons covered: criminally:*** YES      ***civilly:*** YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** YES

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:***  
YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** Banks, credit institutions, securities and insurance firms, money transfer services, international financial services and trust companies, auditors, tax advisors, accountants, real estate agents, dealers in precious stones and gems, and in certain cases, attorneys

***Enhanced due diligence procedures for PEPs: Foreign:*** YES      ***Domestic:*** NO

***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

***Covered entities:*** Banks; credit institutions; issuers or servicers of credit or payment cards, and traveler’s checks; financial leasing companies; securities and insurance brokers and firms; money transfer or brokerage services; financial advisors, international financial service providers, and trust and safekeeping companies; auditors, tax advisors, and accountants; real estate agents; dealers in precious stones and gems; and in certain cases, attorneys

***Number of STRs received and time frame:*** 428 in 2009

***Number of CTRs received and time frame:*** Not available

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 30 in 2009

***Convictions:*** Five in 2009

***Assets forfeited: criminally:*** Euros 5.5 million (approximately \$7.1 million in 2009)

***civilly:*** Not applicable

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** YES



***With other governments/jurisdictions:* YES**

Cyprus is a member of the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

[http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Cyprus\\_en.asp](http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Cyprus_en.asp)

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

There are no legal issues hampering Cyprus' ability to assist foreign governments in mutual legal assistance requests. Cypriot law allows MOKAS, the Cypriot financial intelligence unit (FIU) to share information with other FIUs without benefit of a memorandum of understanding (MOU).

Cyprus has enacted comprehensive legislation and established systems for identifying, tracing, freezing, seizing, and forfeiting narcotics-related assets and assets derived from other serious crimes. Like most EU countries, though, Cyprus has no provisions allowing civil forfeiture of assets without a criminal case. The police and the FIU are responsible for tracing, seizing and freezing assets and they fully enforce existing legislation. Cyprus has an independent national system and mechanism for freezing terrorist assets, and has also engaged in bilateral and multilateral negotiations with other governments to enhance its asset tracking and seizure system.

Amending legislation that came into force in June 2010 strengthened the 2007 Law for the Prevention and Suppression of Money Laundering Activities (LPSMLA), e.g., by requiring a timely response to FIU enquiries, and criminalizing the provision of false or misleading information.

**Area Administered by Turkish Cypriots**

The Turkish Cypriot community continues to lack the legal and institutional framework necessary to provide effective protection against the risks of money laundering, although significant progress has been made in recent years with the passage of "laws" better regulating the onshore and offshore banking sectors and casinos. There are currently 22 domestic banks in the area administered by Turkish Cypriots and Internet banking is available. The offshore sector consists of 13 banks and 34 companies. The offshore banking sector remains a concern. The offshore banks may not conduct business with residents of the area administered by Turkish Cypriots and may not deal in cash. Under revised "laws" passed in 2008, the "Central Bank" took over the regulation and licensing of offshore banks from the "Ministry of Finance" thereby improving oversight. The "Central Bank" audits the offshore entities, which must submit an annual report on their activities. The new "law" permits only banks previously licensed by Organization for Economic Co-operation and Development (OECD)-member nations or Turkey to operate an offshore branch in northern Cyprus. Despite the 2009 promulgation of more strict "laws," the 23 operating casinos remain essentially unregulated due to the lack of an enforcement or investigative mechanism by the casino regulatory body and efforts to de-criminalize any failure by casinos to follow KYC regulations.

The Turkish Cypriot community is not part of any FSRB and thus is not subject to normal peer evaluations. Turkish Cypriot authorities have taken steps to address the risk of financial crime, including enacting an "anti-money laundering law (AMLL)" for the area and formally establishing an FIU equivalent. The "law" aims to reduce the number of cash transactions in the area administered by Turkish Cypriots as well as improve the tracking of any transactions above 10,000 Euros (approximately \$13,000). Under the "AMLL," banks must report to the "Central



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Bank” and the “Money and Exchange Bureau” any electronic transfers of funds in excess of \$100,000. Such reports must include information identifying the person transferring the money, the source of the money, and its destination. Under the “law,” banks, nonbank financial institutions, and foreign exchange dealers must report all currency transactions over 10,000 Euros (approximately \$13,000) and suspicious transactions in any amount to the “Money and Exchange Bureau”. Banks must follow a KYC policy and require customer identification. Banks and other designated entities also must submit STRs to a five-member “Anti-Money Laundering Committee” which decides whether to refer suspicious cases to the “police” and the “attorney general’s office” for further investigation. The five-member committee is composed of representatives of the “police,” “customs,” the “Central Bank,” and the “Ministry of Economy”. According to the Turkish Cypriot authorities, 102 STRs were received by the “FIU” in 2009.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes

***Legal persons covered: criminally:*** YES      ***civilly:*** YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** YES

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:*** NO

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** Banks, cooperative credit societies, finance companies, leasing/factoring companies, portfolio management firms, investment firms, jewelers, foreign exchange bureaus, real estate agents, retailers of games of chance, lottery authority, accountants, insurance firms, cargo firms, antique dealers, auto dealers, lawyers

***Enhanced due diligence procedures for PEPs: Foreign:*** NO    ***Domestic:*** NO

***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

***Covered entities:*** Banks, cooperative credit societies, finance companies, leasing/factoring companies, portfolio management firms, investment firms, jewelers, foreign exchange bureaus, real estate agents, retailers of games of chance, lottery authority, accountants, insurance firms, cargo firms, antique dealers, auto dealers, lawyers

***Number of STRs received and time frame:*** 106 in 2010

***Number of CTRs received and time frame:*** Not available

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** None

***Convictions:*** None

***Assets forfeited: criminally:*** None    ***civilly:*** None

***RECORDS EXCHANGE MECHANISM:***

*With U.S.:* NO

*With other governments/jurisdictions:* YES, with Turkey

The area administered by Turkish Cypriots is not a member of any Financial Action Task Force (FATF)-style regional body.

### ***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Turkish Cypriot "AMLL" provides better banking regulations than were in force previously, but without ongoing enforcement its objectives cannot be met. A major weakness continues to be the many casinos, where a lack of resources and expertise leave the area essentially unregulated, and therefore, especially vulnerable to money laundering abuse. Amendments that would essentially decriminalize failure to implement KYC rules are currently being considered to a "law" to regulate potential AML activity in casinos. The largely unregulated consumer finance institutions and currency exchange houses are also of concern. The Turkish Cypriot authorities should continue efforts to enhance the "FIU," and adopt and implement a strong licensing and regulatory environment for all obligated institutions, in particular casinos and money exchange houses. Turkish Cypriot authorities should stringently enforce the cross-border currency declaration requirements. Turkish Cypriot authorities should continue steps to enhance the expertise of members of the enforcement, regulatory, and financial communities with an objective of better regulatory guidance, more efficient STR reporting, better analysis of reports, and enhanced use of legal tools available for prosecutions.

## **Dominican Republic**

In spite of having the largest economy in the Caribbean, the Dominican Republic (DR) is not a major regional financial center. The DR continues to be a major transit point for the transshipment of illicit narcotics destined for the United States and Europe. The existence of six international airports, six major seaports, and a poorly controlled frontier with Haiti present the authorities with serious challenges. The existence of corruption within the government and the private sector, an organized crime presence (primarily illicit trafficking in narcotics and persons), a fragile economy and a large informal economy make the DR vulnerable to money laundering and terrorist financing threats. The major sources of laundered proceeds stem from illicit trafficking activities, tax evasion and fraudulent financial activity, particularly transactions with forged credit cards.

The DR is a major bulk cash smuggling hub. The smuggling of bulk cash by couriers and the use of wire transfer remittances are the primary methods for moving illicit funds from the United States into the DR. Once in the DR, currency exchange houses, money remittance companies, real estate and construction companies, and casinos are commonly used to facilitate the laundering of illicit funds. The lack of a single recognized financial intelligence unit exacerbates the problem, and the proposed creation of an offshore financial center may worsen the DR's vulnerability to money laundering.

There is a significant market for illicit or smuggled goods in the Dominican Republic; the funding sources are unclear, as is the destination of the proceeds. Authorities say the under-invoicing of imports and exports by Dominican Republic businessmen is still a relatively common practice. The primary goal for businessmen who engage in such activity is reportedly to avoid taxes and customs fees. Customs fraud and invoice manipulation are also found in regional value transfer schemes.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.? YES***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes

***Legal persons covered:*** *criminally:* YES      *civilly:* YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** YES

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:***  
YES

***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** Banks, currency exchange houses, stockbrokers, securities brokers, cashers of checks or other types of negotiable instruments, issuers/sellers/cashers of travelers checks or money orders, credit and debit card companies, remittance companies, offshore financial service providers, casinos, real estate agents, automobile dealerships, insurance companies, and certain commercial entities such as those dealing in firearms and precious metals

***Enhanced due diligence procedures for PEPs:*** *Foreign:* YES      *Domestic:* YES

***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

***Covered entities:*** Banks, agricultural credit institutions, money exchangers, notaries, gaming centers, and securities dealers

***Number of STRs received and time frame:*** 45 from January to August 2010

***Number of CTRs received and time frame:*** 138 in 2009

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 4 from January 2009 to October 2010

***Convictions:*** 0

***Assets forfeited:*** *criminally:* Not available      *civilly:* Not available

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** YES

***With other governments/jurisdictions:*** YES

Dominican Republic is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.cfatf-gafic.org/>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Limited resources hamper the Government of the Dominican Republic’s (GODR) ability to enforce the anti-money laundering (AML) regulations. Institutions and personnel lack the training and capacity to fully enforce the law and its attendant regulations. Earlier resistance in the judiciary and among prosecutors to applying AML has evaporated, and authorities effectively apply the AML and regulations when able to gather proper evidence. The lack of data and

systematic study make it difficult for the Federal Police to identify trends in money laundering. The system of asset forfeiture is largely ineffective.

The AML law excludes from the list of covered entities dealers of art, antiques, and other high-valued consumer goods; entities dealing with jewelry and precious metals; and attorneys, financial management firms and travel agencies. These entities are not required to maintain customer information or report suspicious activity. Additionally, accountants and auto dealers are excluded from the STR requirement. PEPs are addressed in a circular issued by the Superintendency of Banks and in force since September 7, 2010; while this is a step forward, the circular does not address all elements in the international standards and does not apply to all pertinent entities. Covered non-bank businesses and professions are to be inspected by the Tax Authority. However, in practice, such inspections rarely occur.

The decision to replace the UIF financial intelligence unit (FIU), which became a member of the Egmont Group in 2000, with the Financial Analysis Unit (UAF) caused the Dominican Republic to lose its Egmont membership. Although the UAF is now recognized as the GODR's financial intelligence unit, it appears there is still confusion among obligated entities regarding their reporting requirements. Further confounding the duality of FIU functions in the Dominican Republic is the proposed creation of an offshore financial center with its own agency equivalent to an FIU.

In December 2008, the GODR passed law 480/08 allowing the creation of "International Financial Zones" (IFZs) where the full range of financial services can be conducted separately from traditional monetary, banking and financial regulatory oversight. Sections of Law 480/08 would allow the IFZs to have their own regulatory and supervisory authority, independent from that of the domestic financial system. This Law creates a new entity called the Financial Investigations Department (DIF) created within the NCIFZ. The creation of the DIF within the NCIFZ, with specified roles, gives such a unit the same functions as the UAF. This situation is unacceptable, because two FIUs cannot coexist within a jurisdiction. Law 480/08 has not been implemented nor have any IFZs been established. Members of the Dominican Congress are trying to amend Law 480/08 to correct this risk. The Dominican Republic has approximately 50 free trade zone parks, focused on textiles, tobacco, small electric devices, and medical and pharmaceutical products.

The GODR should bolster the operational capacity of the UAF, which is the single, unified FIU. The UAF should have budgetary independence. There should be enhanced supervision of money service businesses. Authorities should identify, investigate and prosecute organized criminal groups involved with bulk cash smuggling and trade-based money laundering. The GODR should not establish International Financial Zones, which will greatly increase the risk of all-source money laundering. Specific steps should be taken to combat corruption within both government and industry.

## France

France remains an attractive venue for money laundering because of its sizable economy, political stability, and sophisticated financial system. Narcotics trafficking, human trafficking, smuggling, and other crimes associated with organized crime are among its vulnerabilities.

France can designate portions of its customs territory as free trade zones and free warehouses in return for commitments in favor of employment. France has taken advantage of these regulations in several specific instances. The French Customs Service administers these zones.

**DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:** NO

**CRIMINALIZATION OF MONEY LAUNDERING:**

**“All serious crimes” approach or “list” approach to predicate crimes:** All serious crimes

**Legal persons covered:** *criminally:* YES *civilly:* YES

**CRIMINALIZATION OF TERRORIST FINANCING:**

**Ability to freeze terrorist assets without delay:** YES

**UN lists of designated terrorists or terrorist entities distributed to financial institutions:**  
YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

**KNOW-YOUR-CUSTOMER RULES:**

**Covered entities:** Banks, credit institutions, money-issuing institutions, investment firms, money exchangers, investment management companies, mutual insurers and benefit institutions, insurance intermediaries, insurance dealers, notaries, receivers and trustees in bankruptcy, financial investment advisors, real estate brokers, chartered accountants, auditors, dealers in high-value goods, auctioneers and auction houses, bailiffs, lawyers, participants in stock exchange settlement and delivery, commercial registered office providers, gaming centers, companies involved in sports bets and horse-racing tips, and casinos

**Enhanced due diligence procedures for PEPs:** *Foreign:* YES *Domestic:* YES

**SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

**Covered entities:** Banks, credit institutions, money-issuing institutions, investment firms, money exchangers, investment management companies, mutual insurers and benefit institutions, insurance brokers and intermediaries, notaries, receivers and trustees in bankruptcy, financial investment advisors, real estate brokers, chartered accountants, auditors, dealers in high-value goods, auctioneers and auction houses, bailiffs, lawyers, participants to stock exchange settlement and delivery and commercial registered office providers, gaming centers, companies involved in sports bets and horse-racing tips, and casinos

**Number of STRs received and time frame:** 17,310 in 2009

**Number of CTRs received and time frame:** Not available

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** Not available

**Convictions:** 225 in 2009

**Assets forfeited:** *criminally:* Not available *civilly:* Not available

**RECORDS EXCHANGE MECHANISM:**

**With U.S.:** YES

**With other governments/jurisdictions:** YES

France is a member of the Financial Action Task Force (FATF), and is a Cooperating and Supporting Nation to the Caribbean Financial Action Task Force (CFATF) and an Observer to the Financial Action Task Force of South America (GAFISUD), two FATF-style regional bodies. The International Monetary Fund (IMF) prepared a Report on the Observance of Standards and Codes. This report can be found here:

<http://www.imf.org/external/np/fsap/fsap.asp#> . France was evaluated by the FATF in 2010; once finalized the evaluation report may be found here: [http://www.fatf-gafi.org/infobycountry/0,3380,en\\_32250379\\_32236963\\_1\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/infobycountry/0,3380,en_32250379_32236963_1_1_1_1_1,00.html)

### ***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

France applies the 2006/70/CE European Union (EU) directive by which politically exposed persons from the EU states may benefit from simplified vigilance procedures, but only in a limited number of cases.

France and the United States have exchanged large amounts of data in connection with money laundering and terrorist financing.

France does not have the capacity to share forfeited assets with other jurisdictions.

The Government of France (GOF) has established a comprehensive anti-money laundering/counter-terrorist financing (AML/CFT) regime and is an active partner in international efforts to control money laundering and the financing of terrorism. France should continue its active participation in international organizations and its outreach to lower-capacity recipient countries to combat the domestic and global threats of money laundering and terrorist financing.

## **Germany**

Germany is one of the largest financial centers in Europe. Although not a major drug producing country, Germany continues to be a consumer and a major transit hub for narcotics. Organized criminal groups involved in drug trafficking and other illegal activities are a significant source of money laundering in Germany. Trends in money laundering in Germany cited in 2009 include trade in CO<sub>2</sub> emission certificates, cash and gold transactions, and commercial websites that did not ship goods after receiving payment. Germany is not an offshore financial center. Free Trade Zones of control type I exist in Bremerhaven, Cuxhaven, and Hamburg. Deggendorf and Duisburg are control type II Free Trade Zones (unfenced inland ports).

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

### ***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* Both

*Legal persons covered:* criminally: NO                      civilly: YES

### ***CRIMINALIZATION OF TERRORIST FINANCING:***

*Ability to freeze terrorist assets without delay:* YES

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:*  
YES

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(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

### **KNOW-YOUR-CUSTOMER RULES:**

**Covered entities:** Credit institutions, financial services institutions, financial enterprises, insurance companies, insurance intermediaries, investment companies, lawyers, legal advisers, auditors, chartered accountants, tax advisers and tax agents, trust or company service providers, real estate agents, casinos, persons trading in goods

**Enhanced due diligence procedures for PEPs:** *Foreign:* YES *Domestic:* NO

### **SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

**Covered entities:** Credit institutions, financial services institutions, financial enterprises, insurance companies, insurance intermediaries, investment companies, lawyers, legal advisers, auditors, chartered accountants, tax advisers and tax agents, trust or company service providers, real estate agents, casinos, persons trading in goods

**Number of STRs received and time frame:** 9,046 in 2009

**Number of CTRs received and time frame:** Not applicable

### **MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 518 in 2009

**Convictions:** 416 in 2009

**Assets forfeited:** *criminally:* Not available *civilly:* Not available

### **RECORDS EXCHANGE MECHANISM:**

**With U.S.:** YES

**With other governments/jurisdictions:** YES

Germany is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/44/19/44886008.pdf>

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

In 2009, suspicious transaction reports increased 23% compared to 2008. The increase mostly comes from an increased number of "financial agents," i.e., persons who are solicited to make their private accounts available for money laundering transactions. Authorities confirmed the suspicion of a criminal act in about half of the reports (46%). While Germany has no automatic CTR requirement, large currency transactions frequently trigger a report.

Tipping off is a criminal offense only if it is committed with the intent to support money laundering or obstruct justice and applies only to previously-filed reports. Otherwise, it is an administrative offense that carries a fine of up to € 50,000 (approximately \$64,900) under the Money Laundering Act. Legal persons are only covered by the Administrative Offenses Act, and are not criminally liable under the Criminal Code.

In July 2010, Germany banned the Frankfurt-based Foundation for Human Rights and Freedoms and Humanitarian Relief (IHH) because it "knowingly and deliberately supports organizations that either are under Hamas control or support Hamas themselves". According to the German Interior Ministry, the German-based IHH, which ostensibly split from the Turkish IHH, funneled money to Hamas.

The numbers of prosecutions and convictions included in this report only reflect cases in which the money laundering violation carried the highest penalty of all the crimes of which the offender was convicted. A trial continued in 2010 against seven persons accused of laundering money from cocaine sales throughout Europe by transporting it to Lebanon. According to the press, in May 2008 customs officers found € 8.7 million (approximately \$11.3 million) hidden in luggage at Frankfurt Airport. A police search of the subject men's apartment unearthed an additional €500,000 (approximately \$649,300). Additional arrests were made in October 2009.

Germany has no statistics on assets forfeited in criminal money laundering cases, as money laundering is usually only one of the charges leading to conviction. Assets can be forfeited as part of a criminal trial or through administrative procedures such as claiming back taxes.

Germany has signed, but not yet ratified, the UN Convention against Corruption.

## Greece

Greece is considered to be a regional financial center in the developing Balkans, as well as a bridge between Europe and the Middle East. Official corruption, the presence of organized crime, and a large shadow economy make the country vulnerable to money laundering and terrorist financing. Greek law enforcement proceedings indicate that Greece is vulnerable to narcotics trafficking, trafficking in persons and illegal immigration, prostitution, smuggling of cigarettes and other contraband, serious fraud or theft, illicit gaming activities, and large scale tax evasion. Anecdotal evidence of illicit transactions suggests an increase in financial crimes in the past few years and that criminal organizations (some with links to terrorist groups) increasingly are trying to use the Greek banking system to launder illicit proceeds. Criminally-derived proceeds historically are most commonly invested in real estate, the lottery, and the stock market. Criminal organizations from southeastern Europe and the Balkan region are responsible for a large percentage of the crime that generates illicit funds. The widespread use of cash facilitates a gray economy as well as tax evasion, though as part of Greece's three-year €110 billion (approximately \$143 billion) European Union (EU)-IMF program, the government is trying to crack down on both trends. Due to the large informal economy – estimated by the Organization for Economic Co-operation and Development and others to be between 25 and 37 percent of GDP – it is difficult to determine the value of goods smuggled into the country, including whether any of the smuggled goods are funded by narcotic or other illicit proceeds. There is increasing evidence that domestic terrorist groups are involved with drug trafficking.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** A combination of a “list” of predicate offenses and a threshold approach

***Legal persons covered:*** *criminally:* NO                      *civily:* YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** YES

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:***  
YES



## Money Laundering and Financial Crimes

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Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>.

### **KNOW-YOUR-CUSTOMER RULES:**

**Covered entities:** Banks; savings banks, and cooperative banks; credit companies, money remitters, financial leasing and factoring companies, *bureaux de change*, and postal companies; stock brokers, investment services firms, and collective and mutual funds; life insurance companies and insurance intermediaries; accountants, auditors, and audit firms; tax consultants, tax experts and related firms; real estate agents and companies; casinos (including internet casinos) and entities engaging in gaming activities; auction houses; and dealers in high value goods and auctioneers; notaries and lawyers

**Enhanced due diligence procedures for PEPs:** *Foreign:* YES      *Domestic:* NO

### **SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

**Covered entities:** Banks; savings banks, and cooperative banks; credit companies, money remitters, financial leasing and factoring companies, *bureaux de change*, and postal companies; stock brokers, investment services firms, and collective and mutual funds; life insurance companies and insurance intermediaries; accountants, auditors, and audit firms; tax consultants, tax experts and related firms; real estate agents and companies; casinos (including internet casinos) and entities engaging in gaming activities; auction houses; and dealers in high value goods and auctioneers; notaries and lawyers

**Number of STRs received and time frame:** 2,392 through December 28, 2010

**Number of CTRs received and time frame:** Not applicable

### **MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 42 in 2008; more recent data not available

**Convictions:** 34 in 2008; 20 through June 2009

**Assets forfeited:**      *criminally:* Not available      *civilly:* Not Applicable

### **RECORDS EXCHANGE MECHANISM:**

**With U.S.:** YES

**With other governments/jurisdictions:** YES

Greece is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: [http://www.fatf-gafi.org/document/23/0,3343,en\\_32250379\\_32236963\\_38916695\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/document/23/0,3343,en_32250379_32236963_38916695_1_1_1_1,00.html)

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Greece ratified the United Nations Convention against Transnational Organized Crime in August 2010, and amended its anti-money laundering/countering the financing of terrorism (AML/CFT) law to adequately criminalize and widen the scope of the terrorist financing offense. The Government of Greece (GOG) also improved the supervisory capacity of its key supervisors.

Despite continued improvements in Greece's AML/CFT regime, a number of deficiencies remain, and Greece continues to be subject to enhanced follow-up by the FATF.

The GOG has been working to improve the effectiveness of the Greek financial intelligence unit; however, deficiencies pertaining to staffing and information technology remain. While the Greek authorities have hired more staff and ensured that STR analysis is carried out only by full-time FIU staff, the total number of employees still appears insufficient to carry out the extensive

functions with which the FIU is tasked. The GOG should make available adequate human and financial resources to ensure the FIU is able to fulfill its responsibilities, ensure its powers are in-line with the international standards related to a financial intelligence unit, and ensure its technical and data management systems and capacities support its functions.

Greece should ensure that its confiscation regime is more effectively implemented and used. While the 2008 AML/CFT law contains provisions allowing civil asset forfeiture, Greek authorities advise it is not practical to launch civil procedures and currently do not do so. The government also should develop an arrangement for the sharing of seized assets with third party jurisdictions that assist in the conduct of investigations.

Although the law provides for the freezing, seizure and confiscation of terrorist assets, Greece has a limited ability to freeze funds in accordance with UNSCR listings of designated terrorists outside of the EU listing system. In the absence of a comprehensive listing and freezing regime, Greece uses an administrative procedure for freezing assets of suspected terrorists designated as such domestically or upon request from a foreign authority. While the GOG advises it is not necessary to open a criminal investigation to use this procedure, it is not clear how quickly it works, and whether all supervised entities are complying. The GOG does not provide guidance to financial institutions and designated non-financial businesses and professions on freezing assets without delay, and does not monitor for compliance. In July 2010 the Bank of Greece introduced sanctions for credit and financial institutions for failure to promptly apply freezing requests or respond without delay to such requests. The GOG advises it is in the process of drafting legislation that would introduce a comprehensive system for suspected terrorists' designation and listing, and asset freezing in accordance with UNSCRs 1267 and 1373.

While Greece has made positive strides in the supervision area, particularly with its recent move to transfer supervisory powers over the insurance sector to the Bank of Greece, a shortage of personnel at the Hellenic Capital Markets Commission (which supervises securities firms, brokers, other financial intermediaries, and clearing houses) remains and continues to challenge its effectiveness. In addition, it is not clear whether the Ministry of Justice has enough resources available to deal with ML or TF related cases.

The GOG should adopt regulations to report large currency transactions and explicitly abolish company-issued bearer shares. It should also ensure uniform enforcement of its cross-border currency reporting requirements and take further steps to deter the smuggling of currency across its borders. Greece also should ensure that companies operating within its free trade zones are subject to the same AML/CFT requirements and customer due diligence provisions as other sectors and work steadfastly to bring charitable and nonprofit organizations under the AML/CFT regime.

## Guatemala

Guatemala is not considered a regional financial center. It continues to be a transshipment route for South American cocaine and heroin destined for the United States and for returning cash to South America. Open source reports suggest that the narcotics trade is increasingly linked to arms trafficking.

Historically weak law enforcement and judiciary systems coupled with endemic corruption and increasing organized crime activity contribute to a favorable climate for significant money laundering in Guatemala. According to law enforcement agencies, narcotics trafficking and corruption are the primary sources of money laundered in Guatemala; however, the laundering of proceeds from other illicit activities, such as human trafficking, contraband, kidnapping, tax

## Money Laundering and Financial Crimes

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evasion, and vehicle theft, is substantial. There is no indication of terrorist financing activities.

Guatemala's geographic location makes it an ideal haven for transnational organized crime groups, including human and drug trafficking organizations. The Central America Four Agreement between El Salvador, Guatemala, Honduras, and Nicaragua allows for free movement of the citizens of these countries across their respective borders without passing through immigration or customs inspection. As such, the agreement represents a vulnerability to each country for the cross-border movement of contraband and illicit proceeds of crime.

There are free trade zones operating in the country. There are no reported hawala or other similar alternative remittance systems operating in Guatemala. A significant number of remittances are transferred through banks and appear to pose little risk for money laundering.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes

***Legal persons covered: criminally:*** YES      ***civilly:*** YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** YES

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:***  
YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** Banks; finance and leasing companies; credit card cooperatives, issuers, or payment agents; stock brokers; insurance companies; money remitters and exchanges; pawnbrokers; notaries and accountants; tax advisors and lawyers; casinos, raffles and games of chance; dealers in motor vehicles, precious metals and stones, and art and antiquities; and real estate agents

***Enhanced due diligence procedures for PEPs: Foreign:*** YES    ***Domestic:*** YES

***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

***Covered entities:*** Banks; finance and leasing companies; credit card cooperatives, issuers, or payment agents; stock brokers; insurance companies; money remitters and exchanges; pawnbrokers; notaries and accountants; tax advisors and lawyers; casinos, raffles and games of chance; dealers in motor vehicles, precious metals and stones, and art and antiquities; and real estate agents

***Number of STRs received and time frame:*** Not available

***Number of CTRs received and time frame:*** Not available

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 13 in 2009

***Convictions:*** 11 in 2009

*Assets forfeited:* *criminally:* Not available *civilly:* Not available

### **RECORDS EXCHANGE MECHANISM:**

*With U.S.:* YES

*With other governments/jurisdictions:* YES

Guatemala is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: [http://www.cfatf-gafic.org/downloadables/mer/Guatemala\\_3rd\\_Round\\_MER\\_\(Final\)\\_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Guatemala_3rd_Round_MER_(Final)_English.pdf)

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

There are relatively few convictions for money laundering, most of which are for the illegal transport of cash. The number of staff at the FIU and the capacity of law enforcement officials may hamper the ability of the authorities to prosecute more cases.

Former President Alfonso Portillo was indicted in the United States in December 2009 with one count of conspiracy to commit money laundering. Both a Guatemalan trial and appellate court have approved his extradition to the United States and the case is currently on appeal before the Guatemalan Supreme Court.

Law enforcement agencies report that money laundering has increased during the year, especially by groups of air travelers heading to countries such as Panama with slightly less than the amount of the Guatemalan reporting requirement (\$10,000), and a large number of small deposits in banks along the Guatemalan border with Mexico. A new law regarding asset seizures, passed by Congress in December 2010, will take effect in June 2011 and allows Guatemalan authorities to seize cash in structuring transactions and transfer it to the state without first having to obtain a criminal conviction against the courier. The same law will also prevent new businesses from issuing bearer shares of stock. The law requires any existing business with bearer shares to convert the shares to nominative by June 2013, but it is not clear what the consequences will be for failure to do so.

In October, Guatemalan monetary authorities approved a regulation to establish limits for cash transactions in foreign currency to reduce money laundering and terrorism financing risks. The law states that deposits totaling over \$3,000 in any given month will be subject to additional requirements.

Casinos are not legal in Guatemala, however, a number of casinos, games of chance and video lotteries operate, both onshore and offshore. There is no regulatory oversight or legal framework for casino operation, although they are listed as covered entities under the AML law. Attempts by the government to enforce requirements are not successful. Lotteries and raffles are subject to local jurisdiction licensing but are not subject to AML/CFT supervision. Unsupervised gaming activity represents a significant money laundering risk.

## **Guernsey**

The Bailiwick of Guernsey (the Bailiwick) encompasses a number of the Channel Islands (Guernsey, Alderney, Sark, and Herm). As a Crown Dependency of the United Kingdom, it relies on the United Kingdom (UK) for its defense and international relations. Alderney and Sark have their own separate parliaments and civil law systems. Guernsey's parliament legislates in matters of criminal justice for all of the islands in the Bailiwick. The Bailiwick is a sophisticated financial center and, as such, it continues to be vulnerable to money laundering.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes approach

***Legal persons covered:*** *criminally:* YES *civilly:* YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** YES

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:***  
YES

***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** All financial services businesses; lawyers, accountants and estate agents; and eGambling services

***Enhanced due diligence procedures for PEPs:*** *Foreign:* YES *Domestic:* YES

***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

***Covered entities:*** All businesses

***Number of STRs received and time frame:*** 673 in 2010

***Number of CTRs received and time frame:*** 105 in 2010

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Two

***Convictions:*** Two in 2010

***Assets forfeited:*** *criminally:* \$1,567,265 *civilly:* Not available

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** YES

***With other governments/jurisdictions:*** YES

The IMF’s December 2010 “Detailed Assessment Report on Anti-Money Laundering and Combating the Financing of Terrorism” for the Bailiwick of Guernsey can be found at: <http://www.imf.org/external/pubs/ft/scr/2011/cr1112.pdf>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Bailiwick has been actively involved in the provision of formal mutual legal assistance for many years. The authorities consider themselves able to provide assistance without the need to enter into mutual legal assistance treaties, and this has enabled compliance with requests from a wide range of jurisdictions, including the US, using the full range of investigatory powers in the law.

Guernsey’s comprehensive AML/CFT legal framework provides a sound basis for an effective AML/CFT regime, and most shortcomings are technical in nature. Money laundering and the financing of terrorism are criminalized fully in line with the FATF standard and the legal framework provides an ability to freeze and confiscate assets in appropriate circumstances.

While no shortcomings have been identified in the legal framework, concerns remain with respect to the implementation of the money laundering provisions. Given the size of the Bailiwick's financial sector and its status as an international financial center, the modest number of cases involving money laundering by financial sector participants and the small number of money laundering cases resulting in convictions raises questions concerning the effective application of money laundering provisions.

Guernsey is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted to do so. Rather, the UK is responsible for the Bailiwick's international affairs and, at Guernsey's request, may arrange for the ratification of any Convention to be extended to the Bailiwick. The UK's ratification of the 1988 UN Drug Convention was extended to include the Bailiwick on April 3, 2002; its ratification of the UN Convention against Corruption was extended to include Guernsey on November 9, 2009; and its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to Guernsey on September 25, 2008. The UK has not extended the UN Convention against Transnational Organized Crime to the Bailiwick

## Guinea-Bissau

The Government of Guinea-Bissau is not in full compliance with international conventions against money laundering and terrorist financing because of inadequate resources, weak border controls, and competing national priorities. Of all West African countries, none has been so thoroughly penetrated and corrupted by Latin American drug cartels as Guinea-Bissau. Drug barons from Latin America and their collaborators from the region and other parts of the world have taken advantage of the extreme poverty, unemployment, political instability, lack of effective customs and law enforcement, and general insecurity to make the country a major transit point for cocaine destined to consumer markets, mainly in Europe. One of the poorest countries in the world, the value of the illicit narcotics trade in Guinea-Bissau is much greater than its national income. Using threats and bribes, drug traffickers infiltrate state structures and operate with impunity.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

### ***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* All crimes approach

*Legal persons covered: criminally:* YES      *civily:* YES

### ***CRIMINALIZATION OF TERRORIST FINANCING:***

*Ability to freeze terrorist assets without delay:* YES

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:*  
YES

### ***KNOW-YOUR-CUSTOMER RULES:***

*Covered entities:* Financial institutions, microfinance institutions, exchange houses, securities firms, insurance companies, casinos, brokerages, charities, nongovernmental organizations (NGOs), and intermediaries such as lawyers, accountants, notaries and broker/dealers



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*Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES*

### **SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

**Covered entities:** Financial institutions, microfinance institutions, exchange houses, securities firms, insurance companies, casinos, brokerages, charities, nongovernmental organizations (NGOs), and intermediaries such as lawyers, accountants, notaries and broker/dealers

**Number of STRs received and time frame:** 0 in 2009

**Number of CTRs received and time frame:** 0 in 2009

### **MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 0

**Convictions:** 0

**Assets forfeited:** *criminally:* Not available *civilly:* Not available

### **RECORDS EXCHANGE MECHANISM:**

**With U.S.:** NO

**With other governments/jurisdictions:** NO

Guinea Bissau is a member of the Intergovernmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.giaba.org/>

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

In April, 2010, the United States Treasury froze the assets of two top Guinea-Bissau military officers and designated them as major drug kingpins.

Reportedly, banks are reluctant to file STRs because of the fear of “tipping off” by an allegedly indiscrete judiciary. Article 26 of National Assembly Resolution No. 4 of 2004 stipulates that if a bank suspects money laundering it must obtain a declaration of all properties and assets from the subject and notify the Attorney General, who must then appoint a judge to investigate. The bank’s solicitation of an asset list from its client could also amount to “tipping off” the subject.

Although the law establishes asset forfeiture authorities and provides for the sharing of confiscated assets, a lack of coordination mechanisms to seize assets and facilitate requests for cooperation in freezing and confiscation from other countries hampers cooperation.

The Government of Guinea-Bissau (GOGB) should continue to work with its partners in GIABA, the Economic Community of West African States (ECOWAS) and others to establish and implement an effective anti-money laundering/counter-terrorist financing (AML/CFT) regime. The government needs urgent help to restore sovereignty, administer justice and regain control of its borders. The GOGB should ensure the sectors covered by its AML law have implementing regulations and competent authorities to ensure compliance with the law’s requirements. It should also amend its terrorist financing law to comport with international standards. The GOGB should establish, staff and train its FIU, and ensure that resources are available to sustain its capacity. It should work to improve the training and capacity of its police and judiciary to combat financial crimes. Guinea-Bissau should undertake efforts to eradicate systemic corruption. The GOGB should become a party to the UN Convention for the Suppression of the Financing of Terrorism, and the UN Conventions against Corruption and Transnational Organized Crime.

## Haiti

International donors reacted to the Haitian earthquake, tropical storms and cholera epidemic of 2010 by pumping much-needed currency and investments for disaster relief and reconstruction into the country. The earthquake impacted all aspects of Haitian life including ripple effects in the banking, commercial and criminal justice institutions. Despite improving financial intelligence and enforcement capacity, the weakness of the Haitian judicial system and prosecutorial mechanism continues to leave the country vulnerable to corruption and money laundering. Haitian organized crime groups are engaged in drug trafficking and other criminal and fraudulent activity, but do not appear to be involved in terrorist financing. Haiti is the poorest country in the Western Hemisphere and relies heavily on remittances from the large expatriate Haitian community.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes

***Legal persons covered: criminally:*** YES                      ***civilly:*** NO

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** NO

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:***  
YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** Banks and non-bank financial institutions including casinos and money remittance institutions

***Enhanced due diligence procedures for PEPs: Foreign:*** NO      ***Domestic:*** NO

***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

***Covered entities:*** Banks

***Number of STRs received and time frame:*** Nine in an unknown time frame

***Number of CTRs received and time frame:*** 146,627 in 2010

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0

***Convictions:*** 0

***Assets forfeited: criminally:*** 14 houses confiscated and slated for sale; five houses confiscated and donated to GOH law enforcement agencies; \$2,000,000 currency seized

***civilly:*** Not available

***RECORDS EXCHANGE MECHANISM:***



*With U.S.:* YES

*With other governments/jurisdictions:* YES

Haiti is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

<http://www.cfatf-gafic.org/index.php>

## **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Haiti suffered a devastating earthquake on January 12, 2010 which destroyed 28 of 29 Haitian ministry buildings and the Presidential Palace. In addition, an outbreak of cholera, floods and a contested Presidential election were all contributing factors slowing, but not stopping, the activities of the key institutions involved in financial intelligence, anti-money laundering enforcement, and asset forfeiture and seizure.

The Government of Haiti (GOH) remains hampered by ineffectual and outdated criminal and criminal procedural codes, and by the inability of judges and courts to address cases referred for prosecution. A Presidential commission has drafted new criminal and criminal procedural codes that require parliamentary approval. The anti-terrorist legislation drafted and submitted to Parliament is also awaiting Parliamentary approval.

Following the January 2010 earthquake, banks, with the exception of the Central Bank, could not transmit reports to UCREF. The UCREF also lost office space as a result of the earthquake and, together with a few other law enforcement agencies, has relocated to a building confiscated from a Colombian drug dealer. The UCREF is making plans to review casino operations in Haiti and ensure that casinos are properly licensed and are made aware of their responsibilities as defined in the GOH anti-money laundering legislation.

BAFE, a unit within the Haitian National Police continues to work closely with the DEA to seize and confiscate properties owned by convicted drug traffickers serving prison sentences in the United States.

Haiti is not a party to the International Convention for the Suppression of the Financing of Terrorism or the UN Convention against Transnational Organized Crime.

## **Hong Kong**

Hong Kong, a Special Administrative Region of the People's Republic of China, is a major international financial and trading center. As of December 2010, Hong Kong's stock market was the world's seventh largest and Asia's third largest with total market capitalization of \$2.71 trillion. Already the world's 15th largest banking center and sixth largest foreign exchange trading center, Hong Kong continued its expansion as an offshore Renminbi (RMB) financing center, accumulating in 2010 over \$48 billion in RMB-denominated deposits at authorized institutions. Hong Kong does not differentiate between offshore and onshore entities for licensing and supervisory purposes.

Hong Kong's low and simplified tax regime, coupled with its sophisticated banking system, shell company formation agents, free port status, and the absence of currency and exchange controls, present vulnerabilities for money laundering, including trade-based money laundering. The primary sources of laundered funds in Hong Kong are corruption, tax evasion, fraud, illegal gambling and bookmaking, prostitution, loan sharking, commercial crimes, and intellectual property rights infringement. Criminal proceeds laundered in Hong Kong are derived from local

and overseas criminal activities, but Hong Kong law enforcement authorities attribute only a small percentage of these laundered funds to drug-trafficking organizations.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes

***Legal persons covered: criminally:*** YES      ***civilly:*** NO

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** YES

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:***  
YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** Banks, securities and insurance entities, and money exchangers

***Enhanced due diligence procedures for PEPs: Foreign:*** YES      ***Domestic:*** YES

***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

***Covered entities:*** All persons, irrespective of entity or amount of transaction involved

***Number of STRs received and time frame:*** 19,690 in 2010

***Number of CTRs received and time frame:*** Not applicable

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 332 in 2010

***Convictions:*** 279 in 2010

***Assets forfeited: Criminally:*** As of December 2010, \$9.33 million was under a court confiscation order but not yet paid to the government      ***Civilly:*** Not applicable

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** YES

***With other governments/jurisdictions:*** YES

Hong Kong is a member of the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/19/38/41032809.pdf>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

U.S. government agencies enjoy excellent working relationships with Hong Kong’s law enforcement personnel and financial regulators. Cooperation includes joint investigative efforts, information exchange, training, and extraditions.

In October 2010, the Government of Hong Kong introduced to the legislature a draft bill that, if passed, would provide statutory backing to existing financial regulatory guidelines, provide for

administrative and criminal sanctions authority, and establish a regulatory regime for money changers.

In April 2010, the Government of Hong Kong initiated a study to evaluate the implementation of a cross-border currency reporting system. The government's work plan calls for an evaluation of the feasibility of tracking and monitoring currency movements in/out of its borders, including necessary legislative and resource requirements.

Hong Kong still needs to institute mandatory oversight for designated non-financial businesses and professions, and implement mandatory cross-border currency reporting requirements, both potential loopholes for money launderers and terrorist financiers. Hong Kong should also establish threshold reporting requirements for currency transactions and put in place "structuring" provisions to counter evasion efforts. As a major trading hub, Hong Kong should also closely examine trade-based money laundering.

## India

India's economic and demographic expansion makes it both a regional financial center and an increasingly significant target for money launderers and terrorist groups. India's extensive informal economy and remittance systems, porous borders, strategic location, persistent corruption, and historically onerous tax administration contribute to its vulnerability to financial and terrorist-related crimes.

Tax avoidance and the proceeds of economic crimes (including fraud, cyber crime and identity theft) are still the mainstay of money launderers in India, but laundered funds are also derived from human and narcotics trafficking, transnational organized crime, illegal trade, particularly in endangered wildlife and illegal gems (principally diamonds), and corruption. India also faces an increasing inflow of high-quality counterfeit currency, which is produced primarily in Pakistan but smuggled to India through multiple international routes. Criminal networks exchange counterfeit currency for genuine notes, which not only facilitates money laundering, but also represents a threat to the Indian economy.

India's location between heroin producing countries in the Golden Triangle and Golden Crescent, along with its porous borders, make it a frequent transit point for drug trafficking. Additionally, India is a major producer of licit acetic anhydride, the precursor chemical required to convert morphine base into heroin, making producers susceptible to abuse by illicit networks. India is also a significant target for terrorist groups, both external and domestic. Most terrorist activities are conducted by international terrorist groups and entities linked to the global jihad, with the support of both state and non-state external actors. In addition, several domestic separatist and insurgent groups are active. Terrorist groups often use counterfeit currency and hawaladars, as well as physical cross-border currency smuggling, to move funds from external sources to finance their activities in India.

India licenses seven offshore banking units (OBUs) to operate in the Special Economic Zones (SEZ). The OBUs are prohibited from engaging in cash transactions and are restricted to lending to the SEZ wholesale commercial sector. Although located in India, OBUs essentially function like foreign branches of Indian banks, but with defined physical boundaries and functional limits. As such, they are subject to the same anti-money laundering/counter-terrorist financing (AML/CFT) provisions as the domestic sector. SEZs were established to promote export-oriented commercial businesses, including manufacturing, trading and services (mostly information technology), and access is controlled by Customs officers. As of December 2010,

about 122 SEZs were operating and more than 575 SEZs had been formally approved throughout India.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** List approach

***Legal persons covered: criminally:*** YES      ***civilly:*** YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** YES

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:***  
YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** Banks and merchant banks; insurance companies; housing and non-banking finance companies; casinos; payment system operators; authorized money changers and remitters; chit fund companies; charitable trusts that include temples, churches and non-profit organizations; intermediaries; stock brokers; sub-brokers; share transfer agents; trustees, underwriters, portfolio managers and custodians; investment advisors; depositories and depository participants; foreign institutional investors; credit rating agencies; venture capital funds; collective schemes including mutual funds; and the post office

***Enhanced due diligence procedures PEPs: Foreign:*** YES      ***Domestic:*** YES

***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

***Covered entities:*** Banks and merchant banks; insurance companies; housing and non-banking finance companies; casinos; payment system operators; authorized money changers and remitters; chit fund companies; charitable trusts that include temples, churches and non-profit organizations; intermediaries; stock brokers; sub-brokers; share transfer agents; trustees, underwriters, portfolio managers and custodians; investment advisors; depositories and depository participants; foreign institutional investors; credit rating agencies; venture capital funds; collective schemes including mutual funds; and the post office

***Number of STRs received & time frame:*** 10,067 (April 2009 - March 2010)

***Number of CTRs received & time frame:*** 6,690,000 (April 2009 - March 2010)

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Six (April 2006 - December 2009)

***Convictions:*** Zero

***Assets forfeited: criminally:*** Not available      ***civilly:*** Not available

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** YES

***With other governments/jurisdictions:*** YES

India is a member of the Financial Action Task Force (FATF) and two FATF-style regional bodies: the Asia/Pacific Group on Money Laundering (APG) and the Eurasian Group on Combating Money Laundering and Terrorist Financing (EAG). Its most recent mutual evaluation is available here:

<http://www.fatf-gafi.org/dataoecd/60/56/45746143.pdf>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

India's low number of money laundering convictions and the financial sector's low number of terrorism-related suspicious transaction reports (STRs) are not commensurate with the size of India's economy or its threat profile. Additionally, the lack of severe penalties imposed by regulators against banks and financial institutions, coupled with the low statistics, may indicate a lack of appropriate due diligence procedures and/or weaknesses in the transaction monitoring systems. The Government of India (GOI) should ensure reporting entities fully implement appropriate due diligence procedures, to include both computerized tracking systems and active engagement by trained frontline personnel. The GOI should also emphasize the importance of human intervention and analysis in terrorist financing cases, as the varied profiles of these cases may not trigger an automated report.

The GOI issued circulars requiring financial institutions to examine more closely transactions involving higher risk jurisdictions. The circular requires that written reports be available to competent authorities and auditors. As of December 31, 2010, the AML/CFT Regulatory Framework Assessment Committee finished its evaluation of the institutional framework and began drafting a report on appropriate countermeasures for countries that do not conform to the FATF Recommendations.

The GOI has taken action against certain hawala activities, but its successes generally stem from prosecuting legitimate businesses that conduct hawala transactions on the side. Hawaladars operating entirely outside of the formal economy are difficult to trace, and provide money launderers and terrorist organizations ready access to an extensive but unmonitored network in India. The GOI's liberalization of the foreign exchange regime has helped otherwise legitimate actors move out of hawala and into the formal sector. However, the GOI no longer criminalizes operating a money transfer business without a license. The remaining administrative penalties do not serve as a sufficient deterrent to those engaged in criminal activity. The GOI should re-criminalize operating without a license.

The GOI should also facilitate the development of alternative money transfer services, including mobile banking. This expansion of legitimate, accessible services would allow broader financial inclusion of legitimate individuals and entities, and reduce AML/CFT vulnerabilities by shrinking the informal network.

The GOI should press for presidential approval to implement the Foreign Contribution (Regulation) Act 1976, which would extend foreign contribution reporting requirements to any non-profit organization that has a political, cultural, economic, educational or social focus and automate notification of suspicious transactions to the FIU. The GOI should also extend the Prevention of Money Laundering Act to include gem and precious-metals dealers, real estate agents, lawyers, notaries, other independent legal professionals, accountants, and commodity futures brokers and to clearly add a safe harbor provision for those filing STRs in good faith.

## Indonesia

Although neither a regional financial center nor an offshore financial haven, Indonesia is vulnerable to money laundering and terrorist financing due to gaps in financial system regulation, extensive use of cash in the economy, a lack of effective law enforcement, and the wide-ranging tactics of major indigenous terrorist groups, such as Jemaah Islamiyah, and their financiers from abroad. Most money laundering in the country is connected to non-drug criminal activity such as corruption, illegal logging, theft, bank fraud, credit card fraud, maritime piracy, sale of counterfeit goods, gambling and prostitution. Indonesia has a long history of smuggling, a practice facilitated by thousands of miles of unpatrolled coastline, weak law enforcement, and poor customs infrastructure. The proceeds of illicit activities are easily moved offshore and repatriated as needed for commercial and personal needs. Although Indonesia's corruption indicators are improving, corruption remains a major issue for all aspects of Indonesian society and a challenge for anti-money laundering/counter-terrorist financing (AML/CFT) implementation.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** Combination approach

***Legal persons covered: criminally:*** YES      ***civilly:*** YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** NO

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:***  
YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** Banks, finance companies, insurance companies and insurance brokerage companies, pension fund financial institutions, securities companies, investment managers, providers of money remittance and foreign currency traders

***Enhanced due diligence procedures for PEPs: Foreign:*** YES      ***Domestic:*** YES

***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

***Covered entities:*** Banks, financing companies, insurance companies and insurance brokerage companies, pension fund financial institutions, securities companies, investment managers, custodians, trustees, postal services as providers of fund transfer services, foreign currency changers (money traders), providers of instruments of payment using cards, providers of e-money or e-wallet, cooperatives doing business as savings and loans, pawnshops, companies doing business in commodity futures trading, and providers of money remittance. Property companies, property agents, car dealers, dealers of precious stones and jewelry/precious metals, art and antique dealers, and auction houses became subject to STR reporting in 2010



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*Number of STRs received and time frame:* 17,348 in 2010

*Number of CTRs received and time frame:* 1,461,883 in 2010

### **MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* Not available

*Convictions:* 36 - January through November 2010

*Assets forfeited:* *criminally:* Not available *civilly:* Not available

### **RECORDS EXCHANGE MECHANISM:**

*With U.S.:* YES

*With other governments/jurisdiction:* YES

Indonesia is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: [http://www.apgml.org/documents/docs/17/Indonesia%20MER2\\_FINAL.pdf](http://www.apgml.org/documents/docs/17/Indonesia%20MER2_FINAL.pdf)

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

On October 22, the president signed Law No. 8 of 2010 on the Prevention and Eradication of the Crime of Money Laundering. This law expands the list of agencies permitted to conduct money laundering investigations; increases the ability of the independent Financial Intelligence Unit (PPATK) to examine suspicious financial transactions; expands institutions authorized to obtain results of PPATK analysis or examination of transactions; creates a streamlined mechanism to seize and freeze criminal assets; expands the entities which must file reports with PPATK and increases some criminal penalties for money laundering offenses. The law designates non-financial businesses, in addition to Indonesian banks and providers of financial services, which are required to report suspicious transactions to PPATK.

The Central Bank issued new regulations, effective December 1, 2010, applying to rural banks and rural Shariah banks, which contain more extensive requirements for customer due diligence, enhanced due diligence for high-risk customers and politically exposed persons, and checks against the Central Bank's Terrorist List, as part of Indonesia's AML/CFT program.

Indonesia continues to lack an effective mechanism to implement UNSCR 1267 and 1373, though it recently passed AML legislation that will provide for the freezing of terrorist assets linked to the UN List of designated terrorists and terrorist organizations. The government also appointed a drafting team to prepare draft terrorist financing legislation that would expand criminal liability, create a better mechanism to freeze and seize terrorist assets and subject non-governmental organizations (NGOs) to PPATK regulation. This draft legislation is expected to be submitted to the legislature in 2011.

In 2010, Indonesian prosecutors brought their first terrorism case based solely on terrorist financing grounds. The Saudi national defendant charged with financing the July 17, 2009 twin Jakarta hotel bombings was acquitted of the terrorist finance charge on June 28, 2010, but found guilty of immigration violations and sentenced to 18 months' imprisonment. In addition, as of mid-December 2010, there are three indictments under Article 11 of the 2003 Anti-Terrorism law, which proscribes intentionally providing or collecting funds to be used partly or wholly for acts of terrorism.

On July 7, 2010, the Government of Indonesia completed a domestic review of its non-profit sector and the Coordinating Ministry of Politics, Law and Security Affairs is expected to submit to the President recommendations regarding NGO section supervision.

Indonesia has mutual legal assistance treaties with several countries but not the U.S. It shares law enforcement information with the U.S. through memoranda of understanding.

### Iran

Iran is not a regional financial center. Its economy is marked by a bloated and inefficient state sector and over-reliance on the petroleum industry. A combination of price controls and subsidies continue to weigh down the economy, although the Iranian government began a broad subsidy reform in 2010. Widespread corruption has also undermined the potential for private sector-led growth. The United States lists Iran as a state-sponsor of terrorism and the Financial Action Task Force (FATF) has repeatedly warned of Iran's failure to address the risks of terrorist financing, urging jurisdictions around the world to impose effective countermeasures to protect their financial sectors from the dangers of illicit finance emanating from Iran. Iran has a large underground economy, spurred by restrictive taxation, widespread smuggling, currency exchange controls, capital flight, and a large Iranian expatriate community.

Iran has established an international banking network, with many large state-owned banks that have foreign branches and subsidiaries in Europe, the Middle East, Asia, and the Western Hemisphere. In 1994, Iran authorized the creation of private credit institutions; licenses for these banks were first granted in 2001. In a number of cases, Iran has used its state-owned banks to channel funds to terrorist organizations and finance its nuclear and ballistic missile programs. The United States has designated a total of 20 Iranian-linked banks and subsidiaries under its counter-proliferation and terrorism authorities.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** Unknown

***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* All crimes approach

*Legal persons covered:* criminally: YES civilly: YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

*Ability to freeze terrorist assets without delay:* NO

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:*  
Not available

***KNOW-YOUR-CUSTOMER RULES:***

*Covered entities:* The Central Bank, banks, financial and credit institutions, insurance companies (including the state regulator and reinsurance provider), interest-free funds, charity organizations and institutions, municipalities, notaries, lawyers, accountants, auditors, authorized specialists of the Justice Ministry, and official inspectors

*Enhanced due diligence procedures for PEPs:* Foreign: Unknown Domestic: Unknown

***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***



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**Covered entities:** The Central Bank, banks, financial and credit institutions, insurance companies (including the state regulator and reinsurance provider), interest-free funds, charity organizations and institutions, municipalities, notaries, lawyers, accountants, auditors, authorized specialists of the Justice Ministry, and official inspectors

**Number of STRs received and time frame:** Not available

**Number of CTRs received and time frame:** Not available

### **MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** Not available

**Convictions:** None

**Assets forfeited: criminally:** Not available

**civilly:** Not available

### **RECORDS EXCHANGE MECHANISM:**

**With U.S.:** NO

**With other governments/jurisdictions:** Unknown

Iran is not a member of any Financial Action Task Force (FATF)-style regional body.

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

In 1984, the Department of State designated Iran as a state sponsor of terrorism. Iran continues to provide material support, including resources and guidance, to multiple terrorist organizations and other groups that undermine the stability of the Middle East and Central Asia. Hamas, Hizballah, and the Palestinian Islamic Jihad (PIJ) maintain representative offices in Tehran in part to help coordinate Iranian financing and training. In November 2008, Treasury revoked the license authorizing “U-turn” transfers involving Iran, thus terminating Iran’s ability to access the U.S. financial system indirectly via non-Iranian foreign banks.

Since 2006, the U.S. has taken a number of targeted financial actions against key Iranian financial institutions, entities, and individuals under non-proliferation, counter-terrorism, human rights, and Iraq-related authorities, i.e., Executive Order 13382, Executive Order 13224, Executive Order 13553, and Executive Order 13438, respectively. To date, the Departments of the Treasury and State have designated over 240 Iranian entities and individuals for proliferation-related activity under Executive Order 13382.

The following are some examples of notable designations under Executive Orders: Twenty Iranian-linked banks (including Bank Sepah, Bank Melli, Bank Mellat, and Export Development Bank of Iran, plus Post Bank, Ansar Bank, Mehr Bank, and Europaisch-Iranische Handelsbank in 2010), located in Iran and overseas, have been designated in connection with Iran’s proliferation activities. One state-owned Iranian bank (Bank Saderat and its foreign operations) was designated for funneling money to terrorist organizations. The Qods Force, a branch of the Iranian Revolutionary Guard Corps (IRGC), was designated for providing material support to the Taliban, Lebanese Hizballah, and Palestinian Islamic Jihad. The Martyrs Foundation (also known as Bonyad Shahid), an Iranian parastatal organization that channels financial support from Iran to several terrorist organizations in the Levant, including Hizballah, Hamas, and the Palestinian Islamic Jihad (PIJ), has been designated along with Lebanon- and U.S.-based affiliates. Another Iranian parastatal, Bonyad Taavon Sepah, was designated in 2010 for its ties

to the IRGC. The United States also designated the Islamic Republic of Iran Shipping Lines (IRISL) as a proliferator in 2008 and Iran's Moallem Insurance Company in 2010 for providing marine insurance to vessels owned by IRISL.

Since July 2006, the United Nations Security Council (UNSC) has passed six related resolutions (UNSCRs), four of which imposed financial sanctions on Iran. The most recent of these, UNSCR 1929, was adopted by the UNSC in June 2010.

In October 2007, the Financial Action Task Force (FATF) issued its first public statement expressing concern that Iran's lack of a comprehensive framework to counter money laundering and terrorist financing represents a significant vulnerability to the international financial system. In February 2009, the FATF urged all jurisdictions to apply effective countermeasures to protect their financial sectors from the money laundering/terrorist financing risks emanating from Iran and also stated that jurisdictions should protect against correspondent relationships being used to bypass or evade countermeasures or risk mitigation practices. The FATF reiterated its call for countermeasures most recently in October 2010. The FATF urges Iran to immediately and meaningfully address its anti-money laundering/counter the financing of terrorism (AML/CFT) deficiencies, in particular by criminalizing terrorist financing and effectively implementing suspicious transaction reporting requirements.

Since February 2007, the European Union (EU) has also adopted numerous measures to implement the UNSCRs on Iran and further protect the EU from Iranian risks. For example, in 2010, the EU adopted significant new measures against Iran, including new sanctions on several Iranian banks, the IRGC, and IRISL; enhanced vigilance by way of additional reporting and prior authorization for any funds transfers to and from an Iranian person, entity, or body above a certain threshold amount; a prohibition on the establishment of new Iranian bank branches, subsidiaries, joint ventures, and correspondent accounts; and other restrictions on insurance, bonds, energy, and trade.

Numerous countries around the world have also restricted their financial and business dealings with Iran in response to both the UNSC measures on Iran as well as the FATF statements on Iran's lack of adequate AML/CFT controls. A growing number of governments have moved to designate Iranian banks, and many of the world's leading financial institutions have voluntarily chosen to reduce or cut ties with Iranian banks. South Korea, Japan, Australia, Canada, Norway, India and others undertook extensive additional listings of Iranian entities and individuals and implemented new systemic measures in 2010.

Iran is ranked 146 out of 178 countries listed in Transparency International's 2010 Corruption Perception Index. There is pervasive corruption within the ruling and religious elite, government ministries, and government-controlled business enterprises.

In Iran and elsewhere in the region, proceeds from narcotics sales are sometimes exchanged for trade goods via value transfer. Illicit proceeds from narcotics trafficking are used to purchase goods in the domestic Iranian market; those goods are often exported and sold in Dubai. Iran's merchant community makes active use of hawala and moneylenders. Counter-valuation in hawala transactions is often accomplished via trade, thus trade-based money laundering is likely a prevalent form of money laundering. Many hawaladars and traditional bazaaris are linked directly to the regional hawala hub in Dubai. Over 300,000 Iranians reside in Dubai, with approximately 8,200 Iranian-owned companies based there.

Iran's real estate market is also often used to launder money. Frequently, real estate settlements and payments are made overseas. In addition, there are reports that billions of dollars in Iranian capital has been invested in the United Arab Emirates, particularly in Dubai real estate.

In 2010, the Government of the Islamic Republic of Iran teamed with United Nations Office on Drugs and Crime to establish a financial intelligence unit (FIU) that will analyze suspicious financial transactions, particularly those dealing with illicit narcotics proceeds. However, no independent assessment has been conducted to assess if the FIU meets international standards.

### Iraq

Iraq's economy is primarily cash-based, and there is little data available on the extent of money laundering in the country. Smuggling is endemic, involving consumer goods, cigarettes, and petroleum products. There is a large market in Iraq for stolen automobiles from Europe and the United States. Bulk cash smuggling, counterfeit currency, trafficking in persons, and intellectual property rights violations are also major problems. Ransoms from kidnappings and extortion are often used to finance terrorist networks. There are credible reports of counterfeiting. Trade-based money laundering, customs fraud, and value transfer are found in the underground economy. Hawala networks, both licensed and unlicensed, are widely used for legitimate and illicit purposes. Regulation and supervision of the formal and informal financial sectors is still quite limited and enforcement is subject to political constraints, resulting in weak private sector controls. Corruption is a major challenge and is exacerbated by weak financial controls in the banking sector and weak links to the international law enforcement community. Transparency International's 2010 International Corruption Perception index ranked Iraq as 175 out of 178 countries, demonstrating a slight decline from the previous year.

Iraq has four free trade zones: the Basra/Khor al-Zubair seaport; Ninewa/Falafel area; Sulaymaniyah; and al-Qaim, located in western Al Anbar province. Under the Free Trade Zone (FTZ) Authority Law, goods imported or exported from the FTZ are generally exempt from all taxes and duties, unless the goods are to be imported for use in Iraq. Additionally, capital, profits, and investment income from projects in the FTZ are exempt from taxes and fees throughout the life of the project, including the foundation and construction phases. Value transfer via trade goods is a significant problem in Iraq and the surrounding region. Iraq is investigating the application of a new customs tariff regime.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes

***Legal persons covered: criminally:*** YES      ***civilly:*** NO

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** YES

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:*  
YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

### **KNOW-YOUR-CUSTOMER RULES:**

*Covered entities:* Banks; investment funds managers; life insurance companies and those which offer or distribute shares in investment funds; securities dealers; money transmitters, hawaladars, and issuers or managers of credit cards and travelers checks; foreign currency exchange houses; asset managers, transfer agents, investment advisers, securities dealers; and, dealers in precious metals and stones

*Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO*

### **SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

*Covered entities:* Banks; investment funds managers; life insurance companies and those which offer or distribute shares in investment funds; securities dealers; money transmitters, hawaladars, and issuers or managers of credit cards and travelers checks; foreign currency exchange houses; asset managers, transfer agents, investment advisers, securities dealers; and, dealers in precious metals and stones

*Number of STRs received and time frame:* Not available

*Number of CTRs received and time frame:* Not available

### **MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* None

*Convictions:* None

*Assets forfeited: criminally: None civilly: None*

### **RECORDS EXCHANGE MECHANISM:**

*With U.S.:* NO

*With other governments/jurisdictions:* YES

Iraq is a member of MENAFATF, a Financial Action Task Force (FATF)-style regional body. Iraq has not yet undergone a mutual evaluation.

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

CPA Law 93, AML Act of 2004, the only anti-money laundering statute in Iraq, takes an "all serious crimes" approach although the statute itself references "proceeds of some form of unlawful activity...." Although the statute seems to broaden itself even beyond serious crime, the criminalization under CPA Law 93 is that of a misdemeanor. Thus, Iraq will not prosecute cases under this law because the law does not effectively criminalize money laundering. Iraq should become a party to the UN Convention for the Suppression of the Financing of Terrorism.

**Iraq's legal framework needs to be strengthened, either by amendment or redrafting of new AML/CFT legislation. Until the parliamentarians change the law and adequately criminalize**

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money laundering, there will be a lack of political will in enforcing it. In addition, Iraqi ministries need to support a viable AML/CFT regime with cooperation across ministries. The lack of implementation of legislation and weak enforcement by the Money Laundering Reporting Office (MLRO) housed in the Central Bank of Iraq undermine its ability to be a stalwart counterforce to terrorist financing and money-laundering. The MLRO does not appear to take action to gather financial intelligence on suspected criminal activity to shore up law enforcement efforts or assist in obtaining relevant information to support ongoing investigations from foreign jurisdictions. The Government of Iraq should ensure the MLRO has the capacity, resources and authorities to serve as the central point for collection, analysis and dissemination of financial intelligence to law enforcement and to provide international assistance.

Investigators, prosecutors and judges all need support from their principals to move farther with pursuing AML/CFT cases. Prosecutors and investigators are frustrated because their cases are not pursued by judges; similarly, judges claim the cases they receive are of poor quality and not prosecutable. Senior level support and increased capacity for all parties are necessary to ensure AML/CFT cases can be successfully prosecuted in Iraq.

In practice, despite customer due diligence requirements, most banks open accounts based on the referral of existing customers and/or verification of a person's employment. Actual application of the rules varies widely across Iraq's 39 state-owned and private banks. Also, rather than file STRs in accordance with the law, most banks either do internal investigations or contact the FIU, which does an account review to resolve any questionable transactions. In practice, very few STRs are filed. US dollars are widely accepted and are used for many payments made by the US military, and assistance agencies and their contractors.

Banks do receive the UNSCR 1267 Committee list of designated terrorists and terrorist organizations, although the current process for distribution is very inefficient and inconsistent.

## Isle of Man

Isle of Man (IOM) is a British crown dependency, and while it has its own parliament, government, and laws, the United Kingdom (UK) remains constitutionally responsible for its defense and international representation. Offshore banking, manufacturing, and tourism are key sectors of the economy. The government offers incentives to high-technology companies and financial institutions to locate on the island. Its large and sophisticated financial center is potentially vulnerable to money laundering. Most of the illicit funds in the IOM are from fraud schemes and narcotics trafficking in other jurisdictions, including the UK. Identity theft and Internet abuse are growing segments of financial crime activity.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** List approach

***Legal persons covered: criminally:*** YES      ***civilly:*** YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

*Ability to freeze terrorist assets without delay:* YES

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:*  
YES

**KNOW-YOUR-CUSTOMER RULES:**

*Covered entities:* Banks; building societies; credit issuers; financial leasing companies; money exchanges and remitters; issuers of checks, traveler's checks, money orders, electronic money, or payment cards; guarantors; securities and commodities futures brokers; safekeeping, portfolio and asset managers; estate agents; auditors, accountants, lawyers and notaries; insurance companies and intermediaries; casinos and bookmakers; high-value goods dealers and auctioneers

*Enhanced due diligence procedures for PEPs: Foreign:* YES    *Domestic:* YES

**SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

*Covered entities:* Banks; building societies; credit issuers; financial leasing companies; money exchanges and remitters; issuers of checks, traveler's checks, money orders, electronic money, or payment cards; guarantors; securities and commodities futures brokers; safekeeping, portfolio and asset managers; estate agents; auditors, accountants, lawyers and notaries; insurance brokers and companies and intermediaries; casinos and bookmakers; high-value goods dealers and auctioneers

*Number of STRs received and time frame:* 1,435

*Number of CTRs received and time frame:* Not applicable

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 15 in 2010

*Convictions:* 13 in 2010

*Assets forfeited: criminally:* \$510,381    *civilly:* \$94,903

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* YES

*With other governments/jurisdictions:* YES

Compliance with international standards was evaluated in a report prepared by the International Monetary Fund's Financial Sector Assessment Program. The report can be found here:

<http://www.imf.org/external/pubs/ft/scr/2009/cr09275.pdf>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

IOM legislation provides powers to constables, including customs officers, to investigate whether a person has benefited from any criminal conduct. These powers allow information to be obtained about that person's financial affairs. These powers can be used to assist in criminal investigations abroad as well as in the IOM. In 2003, the U.S. and the UK agreed to extend to the IOM the U.S.-UK Treaty on Mutual Legal Assistance in Criminal Matters.

The Terrorism (Finance) Act 2009 allows the IOM authorities to compile their own list of suspects subject to sanctions when appropriate.

IOM is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted to do so. Rather, the UK is responsible for IOM's international affairs and, at IOM's request, may arrange for the ratification of any Convention to be extended to the Isle of

Man. The UK's ratification of the 1988 UN Drug Convention was extended to include IOM on December 2, 1993; its ratification of the UN Convention against Corruption was extended to include the IOM on November 9, 2009; and its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to IOM on September 25, 2008. The UK has not extended the UN Convention against Transnational Organized Crime to the IOM.

### Israel

Israel is not regarded as a regional financial center. It primarily conducts financial activity with the markets of the United States and Europe, and to a lesser extent with the Far East. Criminal groups in Israel, either home-grown or with ties to the former Soviet Union, United States, and European Union often utilize a maze of offshore shell companies and bearer shares to obscure beneficial owners. The Minister of Public Security recently announced that domestic revenue from the drug trade is in the billions of dollars. Seizures by the police have increased dramatically over 2009, with increased manpower and cooperation at key border points. Human trafficking is considered the crime-for-profit with the greatest human toll in Israel, and public corruption the crime with the greatest social toll.

Black market penetration in Israel remains low and is comparable in scale to that of Western, industrialized nations. With the exception of a few isolated incidents involving the sales of drugs in the United States by Israeli organized crime, Israel's illicit drug trade is regionally-focused, with Israel as more of a transit country than a stand-alone significant market. Concern from the authorities is growing relative to illegal pharmaceuticals sales, some retail businesses which are suspected money-laundering enterprises, and corruption accusations against some public officials which may or may not be politically-motivated. Bilateral cooperation between United States and Israeli law-enforcement authorities is very high, including joint repatriations, training exercises and sharing of information where relevant.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** List approach

***Legal persons covered:*** criminally: YES      civilly: YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** YES

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:***  
YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** Banks

***Enhanced due diligence procedures for PEPs:*** Foreign: YES      Domestic: NO

### ***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

***Covered entities:*** Banks, members of the Tel Aviv Stock Exchange, portfolio managers, insurers and insurance agents, provident funds and the companies who manage them, providers of currency services, money services businesses and the Postal Bank

***Number of STRs received and time frame:*** 27,332 (January – November 2010)

***Number of CTRs received and time frame:*** 960,316 (January – November 2010)

### ***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 19 (January – August 2009)

***Convictions:*** 13 (January – August 2009)

***Assets forfeited: criminally: civilly:***

Combined total assets forfeited (criminally and civilly): 1,927,000 NIS (approximately \$550,571) January – August 2010

### ***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** YES

***With other governments/jurisdictions:*** YES

Israel has observer status with MONEYVAL (the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism). Its most recent mutual evaluation can be found here: [www.coe.int/moneyval](http://www.coe.int/moneyval).

### ***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

A scathing report by the State Comptroller to the Knesset in May 2009 cited Israel's failure to effectively organize and fight the scourge of organized crime. While the police did get credit for pursuing and arresting many leading mafia figures despite lack of resources, the report pointed out that the State would have to do a better job of targeting and weakening the financial foundation of organized crime, and there was considerable lack of cooperation, coordination of activity, and sharing of information among relevant agencies, and ineffective leveraging of current legislation, including anti-money laundering laws. With an established director of the Israeli Money Laundering Authority in September 2010, the hope is that a key source of internal lack of coordination which has plagued some sensitive operations will be reduced.

In July 2009, the Ministry of Finance announced that a special unit would be established alongside the Tax Authority to coordinate the economic side of the fight against organized crime, including better tracking of money laundering. As of November 2010, this unit still has not been established. The Israeli National Police established the Lahav 433 special unit to target organized crime, which had many notable successes in arresting senior members of crime families. While significant resources and attention exist within the GOI to fight terrorist-related money laundering, the lack of resource allocation and follow-through on non-terror related financial crimes still lags significantly *versus* the scope of the problem. Organized crime has existed in Israel for many years, although it is only within the last couple of years that there has been formal acknowledgement by the authorities of the scope of the problem, or existence of crime families. The State of Israel convicted a businessman and former mayoral candidate in Jerusalem for laundering over 650 million shekels (approximately \$183.8 million).

Israel's "right of return" laws for citizenship have meant that crime figures can and have continued to operate in their home countries while having easy access into and out of the country. Israeli citizenship for those "making aliyah" does not require strong ties to Israel such



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as proof of continuous residency. Therefore it is not uncommon for some crime figures suspected of money laundering to hold passports in a home country, a third country for business, and Israel without necessarily having established ties here.

U.S. law enforcement has a robust relationship with the Israel Tax Authority's (ITA's) Anti Drug and Money Laundering Unit. A customs mutual assistance agreement between the U.S. and Israel allows for the exchange of information between Customs services in support of joint financial investigations, and the U.S. and ITA routinely coordinate to target illicit finance and bulk cash smuggling between the two countries. In addition, U.S. and Israeli law enforcement officials cooperate on extradition requests for individuals accused of crimes such as money laundering. For example, Itzhak Abergil, a U.S.-designated Consolidated Priority Organization Target (CPOT), and several other Israeli nationals recently lost their appeal fighting extradition to the United States, where they now face a host of charges including money laundering, and drug trafficking.

### Italy

Italy is fully integrated into the European Union (EU) single market for financial services. Money laundering is a concern because of the prevalence of homegrown organized crime groups as well as criminal organizations from abroad, especially from Albania, Bulgaria, China, Israel, Romania and Russia. Italy is both a consumer country and a major transit point for heroin coming from South Asia through the Balkans en route to Western/Central Europe and, to a lesser extent, the United States. The heavy involvement of organized crime groups in narcotics trafficking complicates narcotics-related anti-money laundering (AML) activities because of the sophistication of the laundering methods used by these groups. Italian and ethnic Albanian criminal organizations work together to funnel drugs to Italy and, in many cases, on to third countries. Additional important trafficking groups include Balkan organized crime entities, as well as Nigerian, Colombian, and other South American trafficking groups. In addition to the narcotics trade, laundered money originates from myriad criminal activities, such as alien smuggling, contraband cigarette smuggling, counterfeit goods, extortion, human trafficking, and usury. Financial crimes not directly linked to money laundering, such as credit card fraud, Internet fraud, and phishing have increased over the past year. Phishing more than tripled from 2008 to 2009 (from 791 to 2,687 instances) for an overall amount increase from 3 to 8 million euros (approximately \$3.9 to \$10.4 million). Italy's financial intelligence unit (FIU) also reported a reduction among suspicious cash transactions, but an increase in wire transactions and money transfers.

Money laundering occurs to some extent in both the regular banking sector and the nonbank financial system, including casinos, money transfer houses, and the gold market. There is a substantial black market for smuggled goods in the country, but it is not believed to be funded significantly by narcotics proceeds. Italy's underground economy is an estimated 15-17 percent of Italian GDP, totaling about 233 to 264 billion euros (approximately \$304 billion to \$344 billion), though a substantial fraction of this total is related to tax evasion of otherwise legitimate commerce.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* All serious crime

*Legal persons covered:* *criminally:* YES *civilly:* YES

**CRIMINALIZATION OF TERRORIST FINANCING:**

*Ability to freeze terrorist assets without delay:* YES

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:*  
YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

**KNOW-YOUR-CUSTOMER RULES:**

*Covered entities:* Banks, Italian postal services, electronic money institutions, investment firms, asset management companies, insurance companies, agencies providing tax collection services, stock brokers, financial intermediaries, trust companies, lawyers, accountants, auditors, and casinos

*Enhanced due diligence procedures for PEPs:* *Foreign:* YES *Domestic:* NO

**SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

*Covered entities:* Banks, Italian postal services, electronic money institutions, investment firms, asset management companies, insurance companies, agencies providing tax collection services, stock brokers, financial intermediaries, trust companies, lawyers, accountants, auditors, and casinos

*Number of STRs received and time frame:* 37,114 in 2010

*Number of CTRs received and time frame:* Not available

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* Not available

*Convictions:* Not available

*Assets forfeited:* *criminally:* Not available *civilly:* Not applicable

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* YES

*With other governments/jurisdictions:* YES

Italy is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/52/29/36221355.pdf>.

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Given the relatively low number of STRs being filed by non-bank financial institutions, Italy should improve its training efforts and supervision in this sector and should clarify attorney/client privilege. Italy should take steps to allow for civil forfeiture of criminal proceeds. Italian law enforcement agencies should take additional steps to understand and identify underground finance and value transfer methodologies employed by Italy’s burgeoning immigrant communities. Italy also should ensure its new regulations on PEPs are enforced. Finally, Italy should continue its active participation in multilateral fora dedicated to the global fight against money laundering and terrorist financing and its assistance to jurisdictions with nascent or developing AML/CFT regimes.

## Japan

Although the Japanese government continues to strengthen legal institutions to permit more effective enforcement of anti-money laundering/counter-terrorist financing (AML/CFT) laws, Japan still faces substantial risk of money laundering by organized crime (including Boryokudan, Japan's organized crime groups, and Iranian drug trafficking organizations), extremist religious groups, and other domestic and international criminal elements. The major sources of money laundering proceeds include drug trafficking, fraud, loan-sharking (illegal money lending), remittance frauds, the black market economy, prostitution, and illicit gambling. In the past year, there has been an increase in financial crimes by citizens of West African countries, such as Nigeria and Ghana, who are resident in Japan. There is not a significant black market for smuggled goods, and the existence of alternative remittance systems is believed to be very limited in Japan.

Japan is not an offshore financial center. It has one free-trade zone, the Okinawa Special Free Trade Zone, established in 1999 in Naha, to promote industry and trade in Okinawa. The zone is regulated by the Department of Okinawa Affairs in the Cabinet Office. Japan also has two free ports, Nagasaki and Niigata. Customs authorities allow the bonding of warehousing and processing facilities adjacent to these ports on a case-by-case basis.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes

***Legal persons covered: criminally:*** YES      ***civilly:*** YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** NO

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:***  
YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** Financial institutions, real estate agents and professionals, precious metals and stones dealers, antique dealers, postal service providers, lawyers, judicial scriveners, certified administrative procedures specialists, certified public accountants, certified public tax accountants, trust companies

***Enhanced due diligence procedures for PEPs: Foreign:*** NO      ***Domestic:*** NO

***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

***Covered entities:*** Financial institutions, real estate agents and professionals, precious metals and stones dealers

***Number of STRs received and time frame:*** 268,582 for January-November 2010

***Number of CTRs received and time frame:*** Not applicable

### ***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available

***Convictions:*** Not available

***Assets forfeited:*** ***criminally:*** approximately ¥2.7 billion (approximately \$33 million)  
January 1-December 31, 2009 ***civilly:*** Not available

### ***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** YES

***With other governments/jurisdictions:*** YES

### ***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Japan's compliance with international standards is notably deficient on recommendations specific to financial institutions. While Japan has legal requirements for customer due diligence (CDD) programs in its institutions, the CDD provisions are severely lacking, and there is no requirement for financial institutions to gather information on the purpose and intended nature of the business relationship or to conduct ongoing due diligence on these relationships. Japan should strengthen its CDD provisions to include specific requirements for due diligence by financial institutions and to require financial institutions to collect information about business accounts and transactions.

The Government of Japan (GOJ) has not implemented a risk-based approach to AML/CFT, and there is no mandate for enhanced due diligence for higher-risk customers, business relationships, and transactions. The current regulations do not authorize simplified due diligence, though there are exemptions to the identification obligation on the grounds that the customer or transaction poses no or little risk of money laundering or terrorist financing. Japan should implement a risk-based approach to its AML/CFT regime.

The GOJ's number of investigations, prosecutions, and convictions for money laundering in relation to the number of drug and other predicate offenses is low, despite the GOJ's many legal tools and programs to combat these crimes. The National Police Agency (NPA) provides very limited cooperation with other GOJ agencies, and most foreign governments, on nearly all criminal, terrorism, or counter-intelligence-related matters. The NPA's minimal level of cooperation has caused the law enforcement offices of nearly all other industrialized countries to either leave Japan or significantly reduce their presence. The GOJ should develop a robust program to investigate and prosecute money laundering offenses, and require enhanced cooperation by the NPA with its counterparts in the GOJ and foreign missions.

The GOJ's system does not allow the freezing of terrorist assets without delay, and in practice the Ministry of Finance has never actually frozen or confiscated any terrorist assets. Japan's system does not cover assets raised by a non-terrorist for use by a terrorist or terrorist organization, and reaches only funds, not other kinds of assets. The GOJ should enact legislation to allow terrorist assets to be frozen without delay, and to expand the scope of assets to include non-financial holdings.

Japan should provide more training and investigatory resources for AML/CFT law enforcement authorities, establish an effective CDD regime, and consider implementing a system to report large currency transactions. As Japan is a major trading power, the GOJ should take steps to identify and combat trade-based money laundering. Japan should also become a party to the UN Convention against Transnational Organized Crime and the UN Convention against Corruption,

and should fully implement the freezing obligations for terrorist funds, according to the UN Convention for the Suppression of the Financing of Terrorism.

## Jersey

The Island of Jersey, the largest of the Channel Islands, is an international financial center offering a sophisticated array of offshore services. Jersey is a British crown dependency but has its own parliament, government, and laws. The United Kingdom (UK) remains constitutionally responsible for its defense and international representation but has entrusted Jersey to negotiate and sign tax information exchange agreements directly with other jurisdictions and regulate its own financial service sector. The financial services industry is a key sector, with banking, investment services, and trust and company services accounting for approximately half of Jersey's total economic activity. As a substantial proportion of customer relationships are established with nonresidents, most of the illicit money in Jersey is derived from foreign criminal activity. In particular, the Island's financial services industry continues to be vulnerable to the laundering of the proceeds of foreign political corruption in industries such as oil, gas and transportation.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes

***Legal persons covered: criminally:*** YES      ***civilly:*** YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** YES

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:***  
NO

***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** Banks; money exchanges and foreign exchange dealers; financial leasing companies; issuers of credit and debit cards, travelers' checks, money orders and electronic money; securities brokers and dealers; safekeeping, trust, and portfolio managers; insurance companies and brokers; fund products and fund operators; casinos; company service providers; real estate agents; dealers in precious metals and stones and other high-value goods; notaries, accountants, lawyers and legal professionals

***Enhanced due diligence procedures for PEPs: Foreign:*** YES    ***Domestic:*** NO

***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

***Covered entities:*** Banks; money exchanges and foreign exchange dealers; financial leasing companies; issuers of credit and debit cards, travelers' checks, money orders and electronic money; securities brokers and dealers; safekeeping, trust, and portfolio managers; insurance companies and brokers; fund products and fund operators; casinos; company service providers; real estate agents; dealers in precious metals and stones and other high-value goods; notaries, accountants, lawyers and legal professionals

*Number of STRs received and time frame:* 1,854 in 2009

*Number of CTRs received and time frame:* Not applicable

### **MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* One prosecuted to judgment in 2010

*Convictions:* One in 2010

*Assets forfeited: criminally:* £7,454,250 (approximately \$11,299,600) in 2010 *civilly:* Not applicable

### **RECORDS EXCHANGE MECHANISM:**

*With U.S.:* YES

*With other governments/jurisdictions:* YES

In lieu of a mutual evaluation, a report was prepared by the International Monetary Fund's Financial Sector Assessment Program. The report can be found here:

<http://www.imf.org/external/pubs/ft/scr/2009/cr09280.pdf>

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Although not yet used in practice, Jersey has an ability to designate persons and freeze their assets in conformity with UNSCR 1373. No formal procedure is in place to receive and assess requirements based on a foreign request, as required by UNSCR 1373. Additionally, the definition of "funds" subject to freezing does not expressly refer to assets "jointly" or "indirectly" owned or controlled by designated or listed persons.

The Jersey Financial Services Commission (JFSC) website contains a link to the United Kingdom Consolidated List of asset freeze targets, as designated by the United Nations, European Union and United Kingdom. It does not use other means to distribute UN lists of designated terrorists or terrorist entities.

Jersey does not enter into bilateral mutual legal assistance treaties. Instead it is able to provide mutual legal assistance to any jurisdiction, including the US, in accordance with the Criminal Justice (International Co-operation) (Jersey) Law 2001 and the Civil Asset Recovery (International Co-operation) (Jersey) Law 2007. Jersey has granted U.S. requests for assistance in criminal matters. Jersey signed a Tax Information Exchange Agreement with the United States in 2002. In 2009, the JFSC signed a statement of cooperation with the Board of Governors of the Federal Reserve System, Office of the Comptroller of Currency, Federal Deposit Insurance Corporation, and Office of Thrift Supervision. This statement is in addition to existing memoranda of understanding with the Securities and Exchange Commission and Commodity Futures Trading Commission.

Jersey is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted to do so, as is the case with tax information exchange agreements. Rather, the UK is responsible for Jersey's international affairs and, at Jersey's request, may arrange for the ratification of any Convention to be extended to Jersey. The UK's ratification of the 1988 UN Drug Convention was extended to include Jersey in July 1998; its ratification of the UN Convention against Corruption was extended to include Jersey in November 2009; and its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to Jersey on September 25, 2008. The UK has not extended the UN Convention against Transnational Organized Crime to Jersey.

Jersey authorities have a continuing concern regarding the increasing incidence of domestic drug related crimes. The customs and law enforcement authorities devote considerable resources to countering drug-related crime. Jersey should continue to maintain and enhance its level of compliance with international standards to assist those efforts. The Financial Services Commission should ensure its AML Unit has enough resources to continue to function effectively, and to provide outreach and guidance to the sectors it regulates, especially the newest entities required to file reports. The Commission also should distribute the UN lists of designated terrorists and terrorist organizations to the obligated entities and not expect the entities to stay current through their own Internet research.

### Kenya

Kenya is a major money laundering country. Kenya's use as a transit point for international drug traffickers continues to increase. The laundering of funds related to Somali piracy, corruption, smuggling, the misuse of casinos and other assorted crimes is a substantial problem. Reportedly, Kenya's financial system may be laundering over \$100 million each year, including an undetermined amount of narcotics proceeds and Somali piracy-related funds. As a regional financial and trade center for Eastern, Central, and Southern Africa, Kenya's economy has large formal and informal sectors. Although banks, wire services, and other formal channels execute funds transfers, there are also thriving, unregulated informal networks of hawala and other alternative remittance systems using cash-based, unreported transfers that the Government of Kenya (GOK) cannot track. Expatriates, in particular the large Somali refugee population, primarily use hawala to send and receive remittances internationally.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes

***Legal persons covered:*** *criminally:* YES *civily:* YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** NO

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:*** NO

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** Financial and non-bank financial institutions engaging in one or more of the following: accepting deposits; lending; financial leasing; transferring funds or value; issuing and managing means of payment; financial guarantees and commitments; trading in money market instruments, foreign exchange, exchange, interest rate and index funds, transferable securities, and commodity futures; participation in securities issues; individual and collective portfolio or fund management; safekeeping and asset administration; underwriting and sales of life insurance and other investment related insurance; and/or money and currency changing; also, casinos; real estate agencies; accountants; and dealers in precious metals or stones



*Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO*

**SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

**Covered entities:** Financial and non-bank financial institutions engaging in one or more of the following: accepting deposits; lending; financial leasing; transferring funds or value; issuing and managing means of payment; financial guarantees and commitments; trading in money market instruments, foreign exchange, exchange, interest rate and index funds, transferable securities, and commodity futures trading; participation in securities issues; individual and collective portfolio management; safekeeping and administering cash or liquid assets on behalf of other persons; investing, administering, or managing funds on behalf of other persons; underwriting and placement of life insurance and other investment related insurance; and/or money and currency changing; also, casinos; real estate agencies; accountants; and dealers in precious metals or stones

**Number of STRs received and time frame:** Not available

**Number of CTRs received and time frame:** Not available

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 0

**Convictions:** 0

**Assets forfeited: criminally: 0 civilly: 0**

**RECORDS EXCHANGE MECHANISM:**

**With U.S.:** YES

**With other governments/jurisdictions:** YES

Kenya is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force-style regional body. No mutual evaluation report is available at this time.

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The Proceeds of Crime and Anti-Money Laundering Act (PCAMLA), which came into force in June 2010, has a number of deficiencies. While the PCAMLA does take an “all crimes” approach to money laundering predicate offenses, the Act has never been used to prosecute any crimes. Kenya’s criminal justice system remains open to interference and corruption and combating money laundering has not been given priority. The PCAMLA contains sanctions that are proportionate and meet the international standard but have not yet been operationalized with implementing regulations. The PCAMLA does not mention or criminalize terrorism or terrorist financing. The legislation does not explicitly authorize the seizure of legitimate businesses used to launder money. A number of amendments to the law appear to have made the PCAMLA less powerful than earlier drafts. The Central Bank of Kenya (CBK) is relying on the future Financial Intelligence Centre (FIC), the financial intelligence unit, for implementation, as the police lack institutional capacity to handle complex financial crimes analysis and investigation. Although authorized under the PCAMLA, the FIC has not yet been established.

The GOK did not report any money laundering or terrorist financing arrests, prosecutions, or convictions from 2007 through 2010. Kenya lacks the institutional capacity, investigative skill, and equipment to conduct complex investigations independently. There is also insufficient political will to address these crimes. Kenya ranks 154 out of 178 countries on the 2010 Transparency International Corruption Perceptions Index.



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There is a black market for smuggled goods in Kenya, which serves as the major transit country for Uganda, Tanzania, Rwanda, Burundi, northern Democratic Republic of Congo (DRC), and Southern Sudan. While goods marked for transit avoid Kenyan customs duties, authorities acknowledge these goods are often sold in Kenya. Many entities in Kenya are involved in exporting and importing goods, including nonprofit entities. Trade-based money laundering is a serious problem in Kenya. Trade goods are often used to provide counter-valuation in regional hawala networks.

Kenya has no straightforward legal mechanism to freeze or seize criminal or terrorist accounts. To demand bank account records or to seize an account, the police must present evidence linking the deposits to a criminal violation and obtain a court warrant. Because of corruption and leaks, the confidentiality of this process is difficult to maintain. The Central Bank does not distribute UN lists to financial institutions. Instead, it refers all banks to the public lists posted on the Internet. Two times per year, each bank is required to confirm to the Central Bank that they have ensured none of their clients are on any of the lists.

### Latvia

Latvia is a regional financial center that has a large number of commercial banks with a sizeable nonresident deposit base. Latvia is among the European economies most affected by the global financial turmoil. To ease the situation, the Government of Latvia (GOL) sought external financial support and agreed to an international stabilization program. Despite the on-going economic crisis in Latvia, total bank deposits have increased in the past year.

Authorities report that the largest sources of money laundered in Latvia are tax evasion and other forms of financial fraud. Lesser sources include smuggling (primarily cigarettes) and public corruption. Local officials do not consider proceeds from illegal narcotics to be a major source of laundered funds in Latvia. According to regulators and law enforcement officials, most of the laundered funds derived from financial fraud - and a sizeable portion of the funds derived from tax evasion - originate outside of Latvia. Reportedly, Russian and Latvian organized crime groups are active in Latvia, and authorities believe that a significant portion of all criminal proceeds originating domestically is generated by these groups. Although Latvian regulatory agencies closely monitor financial transactions to identify instances of terrorist financing, no prosecutions or penalties have been initiated based on this monitoring in recent memory.

Four special economic zones provide a variety of significant tax incentives for manufacturing, outsourcing, logistics centers, and the transshipment of goods to other free trade zones. These zones are located at the free ports of Ventspils, Riga, and Liepaja, and in the inland city of Rezekne near the Russian and Belarusian borders. Though there have been reports of cigarette smuggling through the free trade zones, there have been no confirmed cases of the zones being used for money laundering schemes or by terrorist financiers. The zones are covered by the same regulatory oversight and enterprise registration regulations that exist for other areas.

Latvian officials maintain that the country is experiencing an overall decrease in financial crimes. While acknowledging that the total amount of assets seized and frozen declined in 2010 (compared to prior years), they observe that transactions tend to be smaller, which they claim is largely attributable to the economic crisis. Meanwhile, statistics for investigations initiated, transactions reports received, and convictions all trended upward in 2010, despite resource limitations which affected all regulatory and law enforcement agencies. GOL officials note that Latvia's updated "Law on the Prevention of Laundering the Proceeds from Criminal Activity

(Money Laundering) and of Terrorist Financing” (amended December 2009) provides a more robust statute for those investigating, interdicting and prosecuting financial crimes.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All crimes approach

***Legal persons covered: criminally:*** YES                      ***civilly:*** YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** YES

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:***  
YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** Financial institutions, including credit institutions, life insurance companies and brokers, private pension fund administrators, investment brokerage firms and management companies, currency exchange offices, money transmission or remittance offices; tax advisors, external accountants, sworn auditors, sworn notaries, advocates, and other independent legal professionals; real estate agents or intermediaries; organizers of lotteries or other gaming activities; persons providing money collection services; and other legal or natural persons involved in trading real estate, transport vehicles, items of culture, precious metals, precious stones and articles thereof, or as intermediaries in such transactions

***Enhanced due diligence procedures for PEPs: Foreign:*** YES      ***Domestic:*** NO

***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

***Covered entities:*** Financial institutions, including credit institutions, life insurance companies and brokers, private pension fund administrators, investment brokerage firms and management companies, currency exchange offices, money transmission or remittance offices; tax advisors, external accountants, sworn auditors, sworn notaries, advocates, and other independent legal professionals; real estate agents or intermediaries; organizers of lotteries or other gaming activities; persons providing money collection services; and other legal or natural persons involved in trading real estate, transport vehicles, items of culture, precious metals, and precious stones

***Number of STRs received and time frame:*** 19,907 from January through November 2010

***Number of CTRs received and time frame:*** 8,354 from January through November 2010

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 26 persons (involving 62 separate charges) from January through November 2010

***Convictions:*** Seven (involving 14 individuals) from January through November 2010

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*Assets forfeited:* **criminally:** Approximately \$2.46 million from January 1 through November 30, 2010 **civilly:** None

### **RECORDS EXCHANGE MECHANISM:**

**With U.S.:** YES

**With other governments/jurisdictions:** YES

Latvia is a member of the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation report can be found here:

[http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Latvia\\_en.asp](http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Latvia_en.asp)

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Current laws do not require enhanced due diligence procedures for domestic PEPs, however, they allow discretion to any institution or professional covered by KYC rules to apply enhanced due diligence, based on its risk assessment for a particular customer.

Approximately \$2.1 million was frozen by the FIU through November 30, 2010. Additionally, approximately \$472,000 in assets was seized by law enforcement officials during the same time period.

In April 2005, the United States outlined concerns in a Notice of Proposed Rulemaking against VEF Banka, under Section 311 of the USA PATRIOT Act. The bank was found to lack adequate AML/CFT controls and was used by criminal elements to facilitate money laundering, particularly through shell companies. In August 2006, the United States issued a final rule imposing a special measure against the VEF Banka, as a financial institution of primary money laundering concern. This measure is still in effect. Following the Latvian authorities' revocation of the bank's license in May 2010, a lawsuit was filed asserting this action was not legal; that suit was resolved in the Government of Latvia's favor on November 15, 2010. According to Latvian authorities, this resolution means the bank's license cannot be reactivated.

In January 2010, legislative amendments establishing mechanisms for sharing assets with non-EU countries and regarding the application of the EU Framework Decision on the application of mutual recognition of confiscation orders took effect. Latvian officials have cooperated with USG law enforcement agencies to investigate numerous financial narcotics-related crimes. The Latvian Financial and Capital Market Commission regularly exchanges information with the U.S. Securities and Exchange Commission. More broadly, officials in Latvia are also able to provide assistance outside of the formal mutual legal assistance process in accordance with current AML/CFT laws.

Law enforcement and regulatory agencies have a heavy workload and their budgets, salaries, and in some cases, personnel have been reduced due to the severe economic crisis. Despite these constraints, the Latvian FIU referred a total of 256 cases to other investigative agencies in 2010 (through November 30), roughly 80% more than in all of 2009. Of this total, approximately half were related to cases involving tax evasion. In one notable recent case, the Latvian Financial Police - a subordinate agency of the State Revenue Service - performed more than 60 searches in one day in investigating a series of real estate deals allegedly involving Latvian and Russian criminal groups and officials at Latvian credit institutions. This investigation is reportedly tied to approximately \$3.76 million in unpaid taxes and led to the freezing of 60 separate bank accounts. Authorities note increased activity by regulators and law enforcement officials over

the past year. They observe that questionable transactions tend to be smaller and conclude that the overall monetary value of money laundering may be decreasing due to the economic crisis.

### Lebanon

Lebanon is a financial hub for banking activities in the Middle East and eastern Mediterranean and has one of the more sophisticated banking sectors in the region. Lebanon faces significant money laundering and terrorist financing challenges. For example, Lebanon has a substantial influx of remittances from expatriate workers and family members, estimated by the World Bank at \$8.2 billion per year. It has been reported that a number of Lebanese abroad are involved in underground finance and trade-based money laundering (TBML) activities.

Laundered criminal proceeds come primarily from foreign criminal activity and organized crime. There is some smuggling of cigarettes and pirated software, but the sale of these goods does not generate large amounts of funds that are then laundered through the formal banking system. There is a black market for stolen cars, counterfeit goods and pirated software, CDs, and DVDs. The domestic illicit narcotics trade is not a principal source of money laundering proceeds.

Although offshore banking, trust and insurance companies are not permitted in Lebanon, the government has provisions regarding activities of offshore companies and transactions conducted outside Lebanon or in the Lebanese Customs Free Zone. Offshore companies can issue bearer shares. There are also two free trade zones (FTZ) operating in Lebanon: the Port of Beirut and the Port of Tripoli. FTZs fall under the supervision of the Customs Authority.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** List approach

***Legal persons covered: criminally:*** YES      ***civilly:*** YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** YES

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:***  
YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** Bank; money exchanges; private couriers who transfer currency for money service businesses such as Western Union and Money Gram; and charitable and nonprofit organizations

***Enhanced due diligence procedures for PEPs: Foreign:*** NO      ***Domestic:*** NO

***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

***Covered entities:*** financial institutions, exchange offices, financial intermediation companies, leasing companies, mutual funds, insurance companies, companies promoting and selling real

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estate and construction, and dealers and companies engaged in transactions for high-value items (i.e., precious metals, antiquities, etc.)

**Number of STRs received and time frame:** 179 from January through November 2010

**Number of CTRs received and time frame:** Not applicable

### **MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 11 as of November 2010

**Convictions:** One between January and November 2010

**Assets forfeited: criminally:** 0    **civilly:** 0

### **RECORDS EXCHANGE MECHANISM:**

**With U.S.:** NO

**With other governments/jurisdictions:** YES

Lebanon is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force-style regional body. Its most recent evaluation is posted at [www.menafatf.org](http://www.menafatf.org)

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Lebanon's financial intelligence unit (FIU), the Special Investigations Commission (SIC) is seeking to finalize amendments to Central Bank Circular 83. One amendment would enhance due diligence procedures for foreign PEPs. In the first 11 months of 2010, the SIC investigated 179 allegations of money laundering and terrorist financing activities, a sharp rise from 116 cases during all of 2009. Although the number of filed STRs and subsequent money laundering investigations coordinated by the SIC have steadily increased, prosecutions and convictions are still lacking.

Customs is required to inform the FIU of suspected TBML or terrorist financing; however, high levels of corruption within Customs create vulnerabilities for TBML and other threats.

In addition to the names of suspected terrorist individuals and terrorist organizations on the UNSCR 1267 Sanctions Committee's consolidated list, the SIC circulates to all financial institutions the list of Specially Designated Global Terrorists designated by the U.S. pursuant to Executive Order 13224, and entities designated by the European Union under its relevant authorities.

The Government of Lebanon (GOL) should encourage more efficient cooperation between financial investigators and other relevant agencies such as Customs and the Internal Security Force. Lebanon should increase efforts to disrupt and dismantle terrorist financing efforts, including those carried out by Hizballah, which the GOL does not consider a terrorist group. The GOL should consider amending its legislation to allow a greater ability to provide forfeiture cooperation internationally and also provide authority for the return of fraudulent proceeds. The GOL should pass legislation to mandate and enforce cross-border currency reporting. The trading of bearer shares of unlisted companies remains a vulnerability, and the GOL should take action to immobilize those shares as well as to criminalize "tipping off".

In addition, there should be more emphasis on linking predicate offenses to money laundering and not an over-reliance on suspicious transaction reports (STRs) filed by financial institutions to initiate investigations. Existing safeguards do not address the issue of the laundering of diamonds and value transfer through Lebanon directly or by Lebanese buying agents in Africa. Lebanese law enforcement authorities should examine domestic ties to the international network

of Lebanese brokers and traders who are commonly found in underground finance, trade fraud, and TBML.

Finally, the GOL should become a party to the UN International Convention for the Suppression of the Financing of Terrorism.

## Liechtenstein

The Principality of Liechtenstein has a well-developed offshore financial services sector, liberal incorporation and corporate governance rules, relatively low tax rates, and a tradition of strict bank secrecy. All of these conditions significantly contribute to the ability of financial intermediaries in Liechtenstein to attract both licit and illicit funds from abroad. Liechtenstein's financial services sector includes 16 banks, 102 asset management companies, 41 insurance companies and 70 insurance intermediaries, 33 pension schemes and five pension funds, 395 trust companies and 27 fund management companies with approximately 411 investment undertakings (funds), and 1,448 other financial intermediaries. The three largest banks control 85 percent of the market.

In recent years the Principality has made continued progress in its efforts against money laundering. In 2009, the Liechtenstein Government recognized the OECD standard as the global standard in tax cooperation and as a result renegotiated a series of Double Taxation Agreements to include administrative assistance on tax evasion cases.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

### ***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* All serious crimes

*Legal persons covered: criminally:* YES      *civilly:* YES

### ***CRIMINALIZATION OF TERRORIST FINANCING:***

*Ability to freeze terrorist assets without delay:* YES

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:* YES

### ***KNOW-YOUR-CUSTOMER RULES:***

*Covered entities:* Banks, securities and insurance brokers; money exchangers or remitters; financial management firms and investment and real estate companies; dealers in high value goods; insurance companies; lawyers; money exchangers or remitters; casinos; the Liechtenstein Post Ltd.; or individuals acting as intermediaries in bank lending, money transactions, trading of currencies or dealing in matters of wealth management and investment advice

*Enhanced due diligence procedures for PEPs: Foreign:* YES      *Domestic:* YES

### ***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

*Covered entities:* Banks, securities and insurance brokers, money exchangers or remitters, financial management firms, investment companies, real estate companies, dealers in high valued goods, insurance companies, lawyers, money exchangers or remitters, casinos, the

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Liechtenstein Post Ltd.; or individuals acting as intermediaries in bank lending, money transactions, trading of currencies or dealing in matters of wealth management and investment advice

**Number of STRs received and time frame:** 235 in 2009

**Number of CTRs received and time frame:** Not applicable

### **MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** Seven between September 1, 2008 and October 18, 2010

**Convictions:** Two between September 1, 2008 and October 18, 2010

**Assets forfeited:** *criminally:* Not available *civilly:* Not available

### **RECORDS EXCHANGE MECHANISM:**

**With U.S.:** YES

**With other governments/jurisdictions:** YES

Liechtenstein is a member of Moneyval, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

[http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Liechtenstein\\_en.asp](http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Liechtenstein_en.asp)

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Liechtenstein has shown an important effort to improve deficiencies in money laundering. The 2009 reporting year saw a new record high number of suspicious activity reports (SARs) at 235, an increase of 24.3% compared to 189 SARs in 2008: 57.9% of the SARs were based on fraud; 11.5% on money laundering; and 30.6% on the other enumerated offense categories. No SARs were submitted for suspected terrorist financing. In 2009, 74% of Liechtenstein's SARs were forwarded to the Office of the Public Prosecutor (in 2010, so far 82% have found their way to the Office of the Public Prosecutor).

In practice, many of the customer characteristics considered high-risk in the international standards, including non-resident and trust or asset management accounts, are considered routine, subject only to normal customer due diligence procedures. Liechtenstein also decided not to include entities with bearer shares, trusts and foundations, or entities registered in privately-held databases in the high-risk category. The present SAR reporting requirements do not clearly indicate whether "attempted transactions" relating to funds used in connection with terrorism are covered.

There are reportedly no abuses of non-profit organizations, alternative remittance systems, offshore sectors, free trade zones, bearer shares, or other specific sectors.

## Luxembourg

Despite its standing as the second-smallest member of the European Union (EU), Luxembourg is one of the largest financial centers in the world. It also operates as an offshore financial center. Although there are a handful of domestic banks operating in the country, the majority of banks registered in Luxembourg are foreign subsidiaries of banks in Germany, Belgium, France, Italy, and Switzerland. While Luxembourg is not a major hub for illicit narcotics distribution, the size and sophistication of its financial sector create opportunities for money laundering, tax evasion, and other financial crimes.



**DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:** NO

**CRIMINALIZATION OF MONEY LAUNDERING:**

*“All serious crimes” approach or “list” approach to predicate crimes:* Combination

*Legal persons covered:* *criminally:* YES *civilly:* YES

**CRIMINALIZATION OF TERRORIST FINANCING:**

*Ability to freeze terrorist assets without delay:* YES

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:* YES

**KNOW-YOUR-CUSTOMER RULES:**

*Covered entities:* Banks, pension funds, insurance brokers, undertakings for collective investment (UCIs), management companies, external auditors, accountants, notaries, lawyers, casinos, gaming establishments, real estate agents, tax and economic advisors, domiciliary agents, and insurance providers

*Enhanced due diligence procedures for PEPs:* *Foreign:* YES *Domestic:* NO

**SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

*Covered entities:* Banks, pension funds, insurance brokers, UCIs, management companies, external auditors, accountants, notaries, lawyers, casinos, gaming establishments, real estate agents, tax and economic advisors, domiciliary agents, and insurance providers

*Number of STRs received and time frame:* 4,866

*Number of CTRs received and time frame:* Not applicable

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 107

*Convictions:* 51

*Assets forfeited:* *criminally:* 26.8 million EUR (approximately \$36 million) *civilly:* None

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* YES

*With other governments/jurisdictions:* Not available

Luxembourg is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/40/7/44655591.pdf>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The Law of 3 March 2010 introduces the criminal liability of legal persons into the Penal Code and into the Code of Criminal Procedure,

A Grand-Ducal Decree from February 2010 sets out several provisions concerning inter alia a) prohibition of accounts opened in fictitious names and specifications on numbered accounts; b) the verification of the powers of the natural person purporting to act on behalf of the customer; c) the identification of the beneficial owner; d) the determination of whether the customer is acting on behalf of another person; e) the scope of simplified due diligence; f) the regime of enhanced



due diligence by specifying the measures and the risk management applicable to non face-to-face clients and transactions, correspondent banking and politically exposed persons; and, g) the specification of the obligation to report suspicious transactions.

The horizontal Law of 27 October 2010 entered into force on November 7, 2010. The Law introduces a considerable number of changes to the existing AML/CFT provisions and proposes to bring changes to as many as 20 existing Laws. The Law strengthens the existing AML/CFT provisions by extending the coverage of the money laundering and terrorist financing offenses and the asset forfeiture regime; clarifying and enhancing know-your-customer procedures; increasing sanctions and penalties; providing a supervisory regime for real estate agents, dealers in high-value goods, and trust and company service provider; establishing a cross-border currency declaration system; and strengthening the authority and access to information of the FIU.

### Macau

Macau, a Special Administrative Region (SAR) of the People's Republic of China (PRC), is not a significant regional financial center. Banks and insurance companies mainly offer traditional products and services to the local population. However, as the world's biggest gambling market by revenue, benefiting from millions of visitors - mostly from nearby mainland China - Macau is vulnerable to becoming a hub for the laundering of criminal proceeds. Reported annual gaming revenues for 2010 were over \$23.5 billion, although observers note that the amount of unreported illegal side-betting could be as much as ten times reported revenues. In addition to the existence of casinos, close proximity border with PRC and Macau's open economy, including lack of controls on cross border physical movement of cash, are factors that create a risk of money laundering and terrorist financing activities. The primary sources of criminal proceeds in Macau are drug-related crimes, organized crime, and illegal gambling. Networks spanning across Macau's boundary with mainland China account for much of the criminal activity.

Loosely-regulated gaming promoters, known as junket operators, profit from sourcing the majority of Macau's VIP players who contribute to over 80 percent of gaming revenues. They finance gamblers while in Macau, assuming credit risk and mingling customer funds in a consolidated junket account, and supply them to the casinos on commission. Junkets are increasingly popular among gamblers seeking anonymity and among casinos aiming to reduce credit default risk. This inherent conflict of interest, together with anonymity provided through use of the junket operator to transfer funds, presents significant challenges to anti-money laundering measures in the gaming sector.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes

***Legal persons covered: criminally:*** YES      ***civilly:*** NO

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay::*** YES

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:*  
YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

### **KNOW-YOUR-CUSTOMER RULES:**

*Covered entities:* Banks, credit and insurance entities, casinos, gaming intermediaries, remittance agents and money changers, cash couriers, trust and company service providers, realty services, pawn shops, traders in high-value goods (e.g., jewels, precious metals, vehicles, etc.), notaries, registrars, commercial offshore service institutions, lawyers, auditors, accountants, and tax consultants

*Enhanced due diligence procedures for PEPs: Foreign:* YES      *Domestic:* YES

### **SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

*Covered entities:* All persons, irrespective of entity or amount of transaction

*Number of STRs received and time frame:* 1,220 in 2010

*Number of CTRs received and time frame:* Not applicable

### **MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* Two (January to September 2010)

*Convictions:* 0

*Assets forfeited: criminally:* \$806,000\* (January to November 2010) *civilly:* Not applicable

\* Forfeited assets credited to Macau Government in 2010 from a 2008 conviction.

### **RECORDS EXCHANGE MECHANISM:**

*With U.S.:* NO

*With other governments/jurisdictions:* YES

Macau is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: <http://www.apgml.org/documents/docs/17/Macao%20ME2%20-%20FINAL.pdf>

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Although Macau has no formal law enforcement cooperation agreements with the United States, informal cooperation between the two routinely takes place. U.S. government agencies work closely with Macau counterparts in capacity building measures, information exchange, and investigations. Macau's Financial Intelligence Unit (FIU) has been an essential component in coordinating AML/CFT efforts. The Government of Macau (GOM) established the FIU in 2006 as a non-permanent government entity in order to avoid having to seek legislative approval. The FIU's current term expires in August 2012. The GOM should permanently institutionalize it without term limits, given the FIU's crucial role in sustaining a long-term AML/CFT infrastructure.

The AML law does not require currency transaction reporting (CTR). However, gaming entities are subject to threshold reporting under the supplementary guidelines of the Gaming Inspection and Coordination Bureau (GICB). Currently, the GICB only shares statistical data on CTR filings with the Financial Intelligence Unit (FIU). To enhance the FIU's ability to detect and deter illicit activity, the FIU should have full access to CTR reports collected by GICB.

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Under current regulatory guidelines, financial institutions are obligated and do identify and freeze suspect bank accounts or transactions. However, the GOM cannot provide mutual legal assistance on AML/CFT under existing legislation. Macau should enhance its ability to support international efforts by developing its legal framework to facilitate the freezing and seizure of assets. The GOM can provide mutual legal assistance on criminal matters, even without a formal agreement, and cooperation between the GOM and the United States routinely takes place.

Macau continues making considerable efforts to develop an AML/CFT framework that meets international standards. It should continue to strengthen interagency coordination to prevent money laundering in the gaming industry, especially by introducing robust oversight of junket operators. It also should implement mandatory cross-border currency reporting requirements.

### Mexico

Mexico is a major drug-producing and drug-transit country. Proceeds from the illicit drug trade leaving the United States are the principal source of funds laundered through the Mexican financial system. Other significant sources of illegal proceeds being laundered include corruption, kidnapping, and trafficking in firearms and persons. Sophisticated and well-organized drug trafficking organizations based in Mexico take advantage of the extensive U.S.-Mexico border and the large flow of legitimate remittances to Mexico. The smuggling of bulk shipments of U.S. currency into Mexico and the repatriation of the funds into the United States via couriers, armored vehicles, and wire transfers remain favored methods for laundering drug proceeds. The combination of a sophisticated financial sector, a large cash-based informal sector, and insufficiently implemented regulatory controls further complicates the problem. According to US authorities, drug trafficking organizations send between \$19 and \$29 billion annually to Mexico from the United States. Mexico has seized over \$457.5 million in bulk currency shipments since 2002. In 2010, bulk-cash seizures amounted to \$32.4 million in U.S. dollars and 87.3 million (approximately \$7 million) in pesos.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES***

***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* All crimes

*Legal persons covered:* criminally: NO civilly: YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

*Ability to freeze terrorist assets without delay:* NO

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:*  
YES

***KNOW-YOUR-CUSTOMER RULES:***

*Covered entities:* Banks and other financial institutions, including mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring funds, casas de cambio, and centros cambiarios (unlicensed foreign exchange centers)

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: YES

### ***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

***Covered entities:*** Banks and other financial institutions, including mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring funds, casas de cambio, and centros cambiarios.

***Number of STRs received and time frame:*** 34,511 January through September 2010

***Number of CTRs received and time frame:*** 3.2 million January through September 2010

### ***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 162 from September 2009 to July 2010

***Convictions:*** 17 (37 individuals) from September 2009 to July 2010

***Assets forfeited:*** ***criminally:*** Not available ***civilly:*** Not available

### ***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** YES

***With other governments/jurisdictions:*** YES

Mexico is a member of the Financial Action Task Force (FATF), of which Mexico currently holds the presidency (until July 2011), and the Financial Action Task Force for South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found here:

[http://www.fatf-gafi.org/document/20/0,3343,en\\_32250379\\_32236963\\_41911956\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/document/20/0,3343,en_32250379_32236963_41911956_1_1_1_1,00.html)

### ***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The number of casas de cambio has declined due to actions the Mexican authorities have taken against those with serious AML/CFT violations and the closure of correspondent accounts in the United States. Unlike regulated casas de cambio – of which there are only nine – there are over 4000 centros cambiarios, which are largely unregulated, and approximately 1200 registered money transmitters. Commercial banks, foreign exchange companies, and general commercial establishments also may offer money exchange services. The Government Secretariat issues temporary licenses for national lotteries, casinos, horse races, and sport pools, but these operations as well as lawyers, accountants, real estate agents, dealers of precious metals and stones, and couriers are currently not subject to AML reporting requirements. Legislation to regulate these non-financial entities has been proposed and remains pending in Congress.

The Government of Mexico (GOM) has made fighting money laundering and drug trafficking one of its top priorities, and has made progress in combating these crimes over the course of 2010. Mexico has adopted a national anti-money laundering strategy, increased the capacity of law enforcement and supervisors, and established a vetted police unit. The Mexican government works very closely with U.S. law enforcement on transnational cases. From September 2009 to July 2010, Mexican judges convicted 37 individuals on money laundering charges. Given that from 2004 to 2007, only 17 criminals were convicted of money laundering, this is a notable improvement.

However, Mexico continues to face challenges with respect to its AML/CFT regime, particularly with its ability to prosecute and convict money launderers. The GOM should amend its legislation to ensure that legal persons can be held criminally liable for money laundering and terrorist financing. Mexico should also amend its terrorist financing legislation to fully comport with the UN Convention for the Suppression of the Financing of Terrorism; and enact legislation and procedures to freeze without delay terrorist assets of those designated by the UN

1267Sanctions Committee. To create a more effective AML/CFT regime, Mexico should fully implement and improve its mechanisms for asset forfeiture, control the bulk smuggling of currency across its borders, monitor remittance systems for possible exploitation, improve the regulation and supervision of money transmitters, unlicensed currency exchange centers, centros cambiarios and gambling centers, and extend AML/CFT requirements to designated non-financial businesses and professions. While some of these issues are addressed in pending AML legislation, the fate of some of the proposals is uncertain as they must pass an opposition-dominated Congress.

On June 15, 2010 the Finance Ministry announced new regulations imposing limits on U.S. dollar (USD) transactions in Mexico. The caps, which were eased on December 3 for border areas, are applicable to cash transactions from dollars to pesos, including deposits, credit payments, and service fees. In addition to limiting transaction amounts for individuals, all USD transactions are prohibited by the regulation for corporate entities and trusts (including account and non-account holding entities), except for those which are account-holders located in border or tourist areas, for which transactions are limited.

On August 26, 2010 the GOM stepped up its AML efforts and announced the National Strategy for the Prevention and Elimination of Money Laundering and Financing for Terrorism along with a package of bills currently pending in Congress. The package includes nine reforms and three modifications to federal codes, as well as the creation of the Law to Prevent and Identify Operations with Illegal Origins and Terrorism Financing.

## Netherlands

The Netherlands is a major financial center and consequently an attractive venue for laundering funds generated from illicit activities. These activities are often related to the sale of cocaine, cannabis, or synthetic and designer drugs (such as ecstasy). Financial fraud, especially tax-evasion, is believed to generate a considerable portion of domestic money laundering, and there is increasingly less evidence of trade-based money laundering. There are no indications of syndicate-type structures in organized crime or money laundering, and there is virtually no black market for smuggled goods in the Netherlands. In 2009, the number of suspicious transfers was at the lowest level in seven years. Although under the Schengen Accord there are no formal controls on national borders within the European Union (EU), the Dutch authorities run special operations in the border areas with Germany and Belgium to keep smuggling to a minimum.

Six islands in the Caribbean fall under the jurisdiction of the Netherlands. Bonaire, St. Eustasius, and Saba are special municipalities of the country the Netherlands. Aruba, Curacao, and St. Maarten are countries within the Kingdom of the Netherlands.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes

***Legal persons covered:*** *criminally: YES* *civilly: NO*

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** YES

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:* NO

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

### **KNOW-YOUR-CUSTOMER RULES:**

*Covered entities:* Banks, exchange offices, casinos, money service businesses, lawyers, notaries, tax specialists, accountants, life insurers, trust and company service providers, credit card companies

*Enhanced due diligence procedures for PEPs:* **Foreign:** YES      **Domestic:** NO

### **SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

*Covered entities:* Banks, credit institutions, securities institutions, investment institutions, money transaction offices, providers of money transaction services, life insurers and insurance brokers, credit card companies, casinos, traders in high-value goods, other traders, accountants, lawyers, business economic consultants, tax consultants, real estate brokers, estate agents, civil-law notaries, independent legal consultants, trust and asset administrative companies

*Number of STRs received and time frame:* 164,000 in 2009

*Number of CTRs received and time frame:* 32,100 in 2009

### **MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 770 January through June 2009

*Convictions:* 328 January through June 2009

*Assets forfeited:* **criminally:** 50 million euro (approximately \$64.9 million) in 2009  
**civilly:** Not applicable

### **RECORDS EXCHANGE MECHANISM:**

*With U.S.:* YES

*With other governments/jurisdictions:* YES

The Netherlands is a member of the Financial Action Task Force (FATF). In lieu of an evaluation by the FATF, the International Monetary Fund (IMF) prepared a Report on the Observance of Standards and Codes (ROSC). The ROSC can be found here:

<http://www.imf.org/external/pubs/ft/scr/2004/cr04312.pdf> The Netherlands underwent a new FATF evaluation in 2010; once finalized the evaluation report may be found here: [http://www.fatf-gafi.org/infobycountry/0,3380,en\\_32250379\\_32236963\\_1\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/infobycountry/0,3380,en_32250379_32236963_1_1_1_1_1,00.html)

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

In June 2008, the Netherlands Court of Audit published its investigation of the Government of the Netherlands' policy for combating money laundering and terrorist financing. The report criticizes the Ministries of Interior, Finance, and Justice for: lack of information sharing among them; too little use of asset seizure powers; limited financial crime expertise and capacity within law enforcement; and light supervision of notaries, lawyers, and accountants. The ministries agreed in large part with these conclusions and are taking steps to address them.

The Netherlands has established an "unusual transaction" reporting system. Designated entities are required to file unusual transaction reports (UTRs) with the Netherlands' financial intelligence unit (FIU) on any transaction that appears unusual (applying a broader standard than "suspicious") or when there is reason to believe that a transaction is connected with money

laundering or terrorist financing. The FIU investigates UTRs and forwards them to law enforcement for criminal investigation; once the FIU forwards the report, the report is then classified as a suspicious transaction report (STR).

The United States enjoys strong cooperation with the Netherlands in fighting international crime, including money laundering. The Netherlands has ratified the bilateral implementing instruments for the U.S.-EU mutual legal assistance agreement (MLAT) and extradition treaties. The U.S.-EU MLAT came into force in February 2010. One provision included in the U.S.-EU MLAT will facilitate the exchange of information on bank accounts. The Dutch Ministry of Justice and the National Police work together with U.S. law enforcement authorities in the Netherlands on operational money laundering initiatives.

While historically Dutch public prosecutors have moved to seize assets in only a small proportion of money laundering cases, the recent assignment of two dedicated money laundering prosecutors is slowly bringing change. The limited asset seizure is due to a shortage of trained financial investigators and a compartmentalized approach where the financial analysts and operational drug investigation teams often do not act in unison. In order to further increase the confiscation of criminal assets, the Dutch Minister of Justice has introduced a new law, currently before Parliament, that introduces confiscation as a standard procedure of any money driven criminal case, increasing the capacity within law enforcement agencies to take such actions.

Financial institutions do not receive the UN list of designated terrorists directly from the Dutch government, but the Dutch Central Bank holds them responsible for implementing the EU 'Freeze list' (the Combined Targeted Financial Sanctions List).

In 2009, the Public Prosecution Office served a summons to suspects of money laundering offenses in 779 cases. The Netherlands Court of Audit reported in June 2009 that 87 percent of money laundering cases referred to the Office of Public Prosecution resulted in a conviction.

In a notable conviction, a Rotterdam court sentenced seven men in April 2009 for cocaine trafficking and laundering at least 22 million Euros (approximately \$31,650,000). Authorities confiscated twenty properties as well as \$3.6 million and 900,000 Euros (approximately \$1,295,000) in cash. In August 2009, the Public Prosecutor's office in Maastricht confiscated 134 properties and pieces of land from a real estate dealer suspected of money laundering, cannabis cultivation and tax fraud. This is reportedly the largest judicial seizure of property ever in the Netherlands.

## Nigeria

Nigeria is a major drug trans-shipment point and a significant center for criminal financial activity. Individuals and criminal organizations take advantage of the country's location, porous borders, weak laws, corruption, lack of enforcement, and poor socio-economic conditions to launder the proceeds of crime. The proceeds of illicit drugs in Nigeria derive largely from foreign criminal activity rather than domestic activities. One of the schemes used by drug traffickers to repatriate and launder their proceeds involves the importation of various commodities, predominantly luxury cars and other items such as textiles, computers, and mobile telephone units.

Proceeds from drug trafficking, oil theft or bunkering, bribery and embezzlement, contraband smuggling, theft, corruption, and financial crimes, such as bank fraud, real estate fraud, and identity theft, constitute major sources of illicit proceeds in Nigeria. Advance fee fraud, also known as "419" fraud in reference to the fraud section in Nigeria's criminal code, remains a

lucrative financial crime that generates hundreds of millions of illicit dollars annually. Money laundering in Nigeria takes many forms, including investment in real estate; wire transfers to offshore banks; political party financing; deposits in foreign bank accounts; use of professional services, such as lawyers, accountants, and investment advisers; and cash smuggling. Nigerian criminal enterprises use a variety of ways to subvert international and domestic law enforcement efforts and evade detection.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All crimes approach

***Legal persons covered:*** *criminally:* YES *civilly:* YES

***CRIMINALIZATION OF TERRORIST FINANCING:*** NO

***Ability to freeze terrorist assets without delay:*** NO

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:***  
YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** Banks, community banks, mortgage institutions, development finance banks, financial service companies, *bureaux de change*; the insurance, and securities and investment industries; discount houses; finance companies; money brokerages; factoring, project and export financing, and equipment leasing; debt and pension fund administration; fund and investment management; private ledger services; project consultancy; estate agents; lawyers; accountants; and, casinos

***Enhanced due diligence procedures for PEPs:*** *Foreign:* YES *Domestic:* YES

***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

***Covered entities:*** Banks, community banks, mortgage institutions, development finance banks, financial service companies, *bureaux de change*; the insurance, and securities and investment industries; discount houses; finance companies; money brokerages; factoring, project and export financing, and equipment leasing; debt and pension fund administration; fund and investment management; private ledger services; project consultancy; estate agents; lawyers; accountants; and, casinos

***Number of STRs received and time frame:*** 2,084 in 2010

***Number of CTRs received and time frame:*** 13,575,712 in 2010

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Ten in 2010

***Convictions:*** 0

***Assets forfeited:*** *criminally:* 0 *civilly:* 0

***RECORDS EXCHANGE MECHANISM:***



*With U.S.:* YES

*With other governments/jurisdictions:* YES

Nigeria is a member of the Intergovernmental Action Group Against Money Laundering in West Africa (GIABA), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

<http://www.giaba.org/index.php?type=c&id=49&mod=2&men=2>

## ***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Corruption continues to be a significant problem. Weak law enforcement and long delays within the justice sector have hindered the progress of many prosecutions and investigations.

Additionally, Nigerian legislation does not provide safe harbor for financial institutions, or their employees, who file STRs in good faith. The GON should amend its legislation to include safe harbor provisions. In 2010, there were no money laundering convictions. The National Assembly should adopt the proposed Special Courts Bill that will establish a special court with specific jurisdiction and trained judges to handle financial crimes, and should consider passing amendments to the Money Laundering Prohibition Act, 2004.

Nigeria does not have an asset forfeiture fund. Consequently, seized assets remain in the custody of the seizing agency until they revert to the Government of Nigeria (GON). Due to lack of proper accountability, forfeited assets are sometimes lost or stolen.

Nigeria's failure to criminalize terrorist financing limits its ability to inhibit terrorism-related activity. Additionally, Nigeria is not able to freeze terrorist assets in accordance with UNSCR 1267. The GON should enact appropriate laws, such as the Prevention of Terrorism Bill, to correct these deficiencies.

## **Pakistan**

Pakistan continues to suffer from financial crimes related to narcotics trafficking, terrorism, smuggling, tax evasion, corruption, counterfeit goods and fraud. Pakistani criminal networks play a central role in the transshipment of narcotics and smuggled goods from Afghanistan to international markets. The abuse of the charitable sector, trade-based money laundering, use of hawala/hundi, and physical cross-border cash transfers are common methods used to launder money and finance terrorism in Pakistan and the region. Pakistan's real estate sector is also a popular destination for illicit funds, as many real estate transactions are poorly documented. Pakistan does not have firm control of its borders with Afghanistan, Iran or China, which facilitates the flow of smuggled goods to and from the Federally Administered Tribal Areas (FATA) and Baluchistan. Some consumer goods transiting Pakistan duty-free under the Afghan Transit Trade Agreement are funneled off to be sold illegally in Pakistan. As madrassas (Islamic schools) lack oversight, they have been used as training grounds for terrorists and for terrorist funding, which allows terrorist and militant organizations to receive financial support under the guise of support of Islamic education.

Money laundering and terrorist financing often occur in Pakistan via an overlap of the hundi/hawala alternative remittance system and the formal banking system. The State Bank of Pakistan (SBP) requires all hawaladars to obtain licenses and meet minimum capital requirements. Despite this requirement, few hawalas have been registered by the authorities, and unlicensed hawaladars continue to operate illegally throughout Pakistan (particularly Peshawar and Karachi). Fraudulent invoicing is typical in hawala/hundi counter-valuation schemes. Legitimate remittances from Pakistani expatriates residing abroad now flow mostly through the

formal banking sector and through licensed money transmitting businesses. According to authorities, in calendar 2010, remittances through formal channels totaled \$9.7 billion, out of an estimated total of \$14 billion.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** List approach

***Legal persons covered:*** *criminally:* YES *civilly:* NO

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** YES

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:***  
YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** Banks (conventional and Islamic, micro-finance banks, development finance institutions), exchange companies, securities markets, non-bank financial companies, and insurance companies

***Enhanced due diligence procedures for PEPs:*** *Foreign:* YES *Domestic:* YES

***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

***Covered entities:*** Any institution accepting deposits; lending; financial leasing; issuing and managing of means of payment, including credit and debit cards and electronic money; transferring money or value; changing money or currency; participating in share issues and providing services in relation to share issues; engaging in portfolio management; conducting insurance transactions; or carrying out business as an intermediary

***Number of STRs received and time frame:*** Not available

***Number of CTRs received and time frame:*** Not available

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0 in 2010

***Convictions:*** 0 in 2010

***Assets forfeited:*** *criminally:* None *civilly:* None

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** NO

***With other governments/jurisdictions:*** NO

Pakistan is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://apgml.org/documents/docs/17/Pakistan%20MER%20-%20final%20version.pdf>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Pervasive corruption and a lack of political will continue to be the two primary obstacles to an effective anti-money laundering and counter-terrorist financing regime in Pakistan. Pakistan ranks 143 out of 178 countries surveyed in Transparency International's 2010 International Corruption Perception Index. Considering the extent of the financial crime and terrorist financing challenges facing Pakistan, the absence of prosecutions and convictions is telling.

During 2010, the FATF identified Pakistan as a jurisdiction with significant AML/CFT vulnerabilities. In response, the Pakistani government expressed high-level political commitment to address deficiencies in its AML/CFT regime. Despite the passage of the Anti-Money Laundering Act of 2010, legislative shortcomings are pervasive and should be addressed accordingly. Additionally, Pakistan's lack of police and judicial capacity contributes to its lack of prosecutions and convictions. Pakistan's financial intelligence unit (FIU) must be strengthened and should be given operational autonomy. The FIU also needs a strong information technology infrastructure to aid in the core functions of collection, analysis and dissemination of financial intelligence. Suspicious and currency transaction reporting should be fully implemented, comprehensive and actionable. Pakistani law enforcement should not, however, become dependent on these reports to initiate investigations; rather, law enforcement authorities should be proactive in pursuing money laundering and terrorist financing in their field investigations. Restrictive information-sharing rules both within the interagency and with foreign counterparts hinder international cooperation.

The Anti-Terrorist Act (ATA) allows the Pakistani government to ban a fund, entity or individual on the grounds of involvement with terrorist activity and permits freezing of accounts. Although legally allowed, there have been deficiencies concerning the timeliness and thoroughness of the asset freezing regime and no formal system is in place to implement an asset forfeiture regime. Section 11B of the ATA specifies that an organization is proscribed or listed if and when the GOP has reason to believe it is involved with terrorism. In light of the role private charities have played in terrorist financing, Pakistan must work quickly to conduct outreach, supervise, and monitor charitable organizations and their activities. Meaningful action should be taken to shut down internationally designated charities and prevent their reopening.

At present there is no requirement to declare inbound currency. Pakistan's relatively strict currency exportation requirements may lead hawaladars to export foreign currency out of the country by other means, including smuggling it across the porous border with Afghanistan. Pakistan should implement and enforce inbound and outbound cross-border currency reporting requirements and focus greater efforts on identifying and targeting illicit cash couriers.

## Panama

Panama's strategic geographic location and its economic openness make it a natural location for laundering money derived from drug sales. However, location is only one reason for Panama's attractiveness for money launderers. Panama is promoting itself as the new hub for Central America because it is a leader in developing the physical and financial infrastructure that go with that role. The Colon Free Trade Zone is the second largest free trade zone in the world and the major airline, Copa, is expanding international and local flights. The financial sector is increasing direct marketing efforts to attract regional financial institutions. This current and future access to infrastructure and global connections attracts international clients who know how to use financial and commercial accounts for money laundering.

During 2010, Panama made progress on the policy front in improving the transparency of its financial system. The Government of Panama (GOP) is working diligently to ensure its removal

from the OECD's grey list by signing a Tax Information Exchange Agreement (TIEA) with the United States in November and signing Double Taxation Treaties (DTTs), which include similar information exchange provisions, with 13 other OECD members. It is drafting new anti-money laundering legislation and strengthening its financial intelligence unit's authority. Panama still has unregulated parallel market exchanges like hawalas.

Unfortunately, the lack of enforcement of Panamanian banking and anti-money laundering laws undercuts the policy progress the GOP has made. The very factors that contribute to Panama's economic growth and financial sector sophistication – the dollar-based economy, the large number of offshore banks and shell companies, loosely regulated free trade zones, and sustained growth in the ports and maritime industries – are also mechanisms that are vulnerable to abuse for money laundering and other illicit financial activities. Legislation that allows bearer share corporations remains in effect and provides a near impenetrable corporate veil for shareholders. In addition, corruption and weak regulatory bodies impede Panama's progress toward a more transparent economy.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.?: YES***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** List approach

***Legal persons covered: criminally:*** YES      ***civilly:*** NO

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** YES

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:***  
YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** Banks, savings cooperatives, savings and mortgage banks, and money exchanges; investment houses and brokerage firms; insurance and reinsurance companies; fiduciaries; casinos; free trade zones; finance companies; and real estate brokers

***Enhanced due diligence procedures for PEPs: Foreign:*** NO    ***Domestic:*** NO

***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

***Covered entities:*** Banks, cooperatives, and money exchanges, casinos, fiduciaries; insurance companies, government entities focused on the lottery, and investment houses

***Number of STRs received and time frame:*** 944 in 2009

***Number of CTRs received and time frame:*** Not available

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available

***Convictions:*** 0

***Assets forfeited (seized): criminally:*** \$41 million in 2010    ***civilly:*** Not applicable

### ***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** YES

***With other governments/jurisdictions:*** YES

In July 2010 Panama became a member of the Financial Action Task Force on money laundering in South America GAFISUD, a Financial Action Task Force (FATF)-style regional body. It moved from the Caribbean Financial Action Task Force to the GAFISUD because the authorities felt it shared more goals and problems with the GAFISUD members. Its most recent mutual evaluation report can be found here:

[http://www.cfatf-gafic.org/downloadables/mer/Panama\\_3rd\\_Round\\_MER\\_\(Final\)\\_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Panama_3rd_Round_MER_(Final)_English.pdf)

### ***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Panama allows the use of bearer shares and shell company structures based on bearer shares to provide privacy for share holders. These structures are very vulnerable to abuse by criminal groups to launder funds. Panama took steps in 2010 to enhance the transparency of its financial system. In addition to the signature of the TIEA with the U.S. and DTTs with other OECD members, the GOP enacted legislation (Law 33 of July 2010) which requires banks and law firms to share transaction and ownership information with the GOP and authorizes the sharing of such information with foreign tax authorities pursuant to TIEA requests. Law 33 complements existing “know your customer” requirements.

Panama allows the transfer of seized assets to other countries when the seizure occurs in the course of an investigation conducted pursuant to a mutual legal assistance request. One asset transfer example occurred in April 2010 in a New York investigation led by the United States Department of Justice which led to the seizure of approximately \$40 million worth of gold, jewelry and assorted gemstones. The assets were seized by the GOP at the request of the U.S. Government, and eventually repatriated to the U.S. Government in recognition of forfeiture orders entered by the United States Attorney’s Office for the Southern District of New York.

Panama’s judicial system has not sentenced anyone under the current money laundering laws. In October, 2010, a former municipal employee and accomplices were brought up on charges of laundering approximately \$2 million using a corporate entity. Other recent cases were either dismissed or are still under investigation.

The Colon Free Trade Zone (CFZ) continues to be vulnerable to illicit financial activities in part because of the following practices: the ease of third party payments made by an intermediary apparently unrelated to the seller or purchaser; use of amended internal credit documents without reasonable justification; customers not required to produce appropriate documentation (e.g., invoice) to support a requested transaction; significant discrepancies exist between transport document information and the invoice; the long-awaited electronic transaction recording information system is operational but not widely used – a total of 5,000 keys to the electronic system were provided to CFZ companies, but most continue to submit transaction information in hard-copy format ; and, the ease with which bulk cash can be brought into Panama through the main international airport by declaring it is for use in the CFZ.

The several anti-money laundering regulatory bodies do not communicate well. Panama’s FIU (the UAF), Superintendencia, Banker’s Association, Customs, Consejo and the Judiciary branches do not know each other’s roles and responsibilities.

The UAF is overworked and lacks adequate resources to process, let alone enforce the required reporting. UAF is developing new software that will allow covered entities to submit their STRs

electronically. Submissions currently must be made in hard copy with supporting electronic documentation included in CD format.

Money laundering, in and of itself, is still not a priority with the Panamanian Customs Authority. As long as money is properly declared, it flows easily across Panama's borders. U.S. law enforcement agencies believe millions of dollars in cash and monetary instruments are declared openly upon entry at Panama's airport without prompting further investigation by Panama's Customs Authority. There were numerous press reports on corrupt customs/immigration officials during 2010. In October, Panama passed Law 67 which, among other actions, now requires the declaration of cash valued at \$10,000 or over when leaving the country.

Panama cooperates with U.S. law enforcement agencies. There is increasing bilateral cooperation such as maritime operations and the partnership of the Panamanian and US Trade Transparency Units (TTU). Established in 2010 by U.S. Immigration and Customs Enforcement, the Panamanian TTU is a vetted unit whose data mining efforts have provided investigative assistance and insights for many GOP agencies, like the UAF and Panama's tax authority. Some examples of the TTU's successes include: the discovery of a network of banks and exchange houses that moved euros from Colombia, using Panamanian banks, to the U.S. and Europe; the use of harmonized tariff codes for perfumes, video gaming and precious metals to identify several companies in the CFZ involved in commercial fraud and possible trade-based money laundering; and, information that reveals possible export tax incentive fraud.

Panama's regulated financial institutions are generally not believed to be willingly involved in transactions related to the proceeds from serious crime. If the GOP continues its efforts to improve its anti-money laundering legal framework, particularly eliminating bearer shares, criminalizing "tipping off," initiating efforts to increase prosecutions and convictions, and creating a more transparent financial network, money laundering will become more difficult within Panama's borders.

## Paraguay

Paraguay is a major drug transit country and money laundering center. A multi-billion dollar contraband trade, fed in part by endemic, institutional corruption, occurs in the border region shared with Argentina and Brazil (the Tri-Border Area) and facilitates much of the money laundering in Paraguay. While the Government of Paraguay (GOP) suspects proceeds from narcotics trafficking are often laundered in the country, it is difficult to determine what percentage of the total amount of laundered funds is generated from narcotics sales or is controlled by drug trafficking organizations, organized crime, or terrorist groups operating locally. Trade-based money laundering and the trafficking in counterfeit goods are widespread. Weak controls in the financial sector, open borders, bearer shares, casinos, a surfeit of unregulated exchange houses, lax or non-enforcement of cross-border transportation of currency and negotiable instruments, ineffective and/or corrupt customs inspectors and police, and minimal enforcement activity for financial crimes allows money launderers, transnational criminal syndicates, and possible terrorist financiers to take advantage of Paraguay's financial system.

Ciudad del Este, on Paraguay's border with Brazil and Argentina, represents the heart of Paraguay's underground or "informal" economy. The area is well known for arms and narcotics trafficking and violations of intellectual property rights with the illicit proceeds from these crimes a source of laundered funds. Some proceeds of these illicit activities have been supplied to terrorist organizations. A wide variety of counterfeit goods, including household electronics,



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cigarettes, software, computer equipment, video games, and DVDs are imported from Asia and transported across the border into Brazil. A small amount remains in Paraguay for sale in the local economy.

Many high-priced goods in Paraguay are paid for in U.S. dollars. In addition to bulk cash smuggling, the non-bank financial sector, particularly exchange houses, is often used to move illicit proceeds both from within and outside Paraguay into the U.S. banking system. Large sums of dollars generated from normal commercial activity and suspected illicit commercial activity are also transported physically from Paraguay through Uruguay and Brazil to banking centers in the United States. The Government of Paraguay (GOP) is in the early stages of recognizing and addressing the problem of the international transportation of currency and monetary instruments derived from illegal sources, so determining what portion of U.S. dollars are related to narco trafficking is problematic.

As a land-locked nation, Paraguay does not have an offshore sector. However, Paraguay's port authority manages free trade ports and warehouses in neighboring countries' seaports, which are used for the reception, storage, handling, and transshipment of merchandise transported to and from Paraguay. Such free trade ports are located in Argentina (Buenos Aires and Rosario); Brazil (Paranagua, Santos, and Rio Grande do Sul); Chile (Antofagasta and Mejillones); and Uruguay (Montevideo and Nueva Palmira). About three-fourths of all goods entering and exiting Paraguay are transported by barge on the large river system that connects Paraguay with Buenos Aires (Argentina) and Montevideo (Uruguay).

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES***

### ***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes

***Legal persons covered: criminally:*** YES      ***civilly:*** YES

### ***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** NO

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:***  
YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

### ***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** Banks, finance companies, insurance companies, exchange houses, stock exchanges and securities dealers, investment companies, trust companies, mutual and pension fund administrators, credit and consumer cooperatives, gaming entities, real estate brokers, nongovernmental organizations, pawn shops, and dealers in precious stones, metals, art, and antiques.

***Enhanced due diligence procedures for PEPs:***    ***Foreign:*** NO      ***Domestic:*** YES

### ***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

**Covered entities:** Banks, finance companies, insurance companies, exchange houses, stock exchanges and securities dealers, investment companies, trust companies, mutual and pension fund administrators, credit and consumer cooperatives, gaming entities, real estate brokers, nongovernmental organizations, pawn shops, and dealers in precious stones, metals, art, and antiques

**Number of STRs received and time frame:** 781 in 2010

**Number of CTRs received and time frame:** Not available

### **MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 9 in 2010

**Convictions:** 0

**Assets forfeited:** *criminally:* Not available *civilly:* Not available

### **RECORDS EXCHANGE MECHANISM:**

**With U.S.:** NO

**With other governments/jurisdictions:** YES

Paraguay is a member of the Financial Action Task Force against Money Laundering in South America (GAFISUD), a Financial Action Task Force-style regional body, of which Paraguay assumed the pro tempore Presidency in December 2010. Its most recent mutual evaluation can be found here: <http://www.imf.org/external/pubs/ft/scr/2009/cr09235.pdf>

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The GOP took a huge step forward in regard to money laundering in June 2010 when it passed an anti-terrorism law making terrorism financing an illegal act punishable by five to fifteen years in prison.

Paraguay has shown a great deal of cooperation with U.S. law enforcement agencies. In March 2007, U.S. Immigration and Customs Enforcement created a Paraguay-based Trade Transparency Unit (TTU) to aggressively analyze, identify and investigate companies and individuals involved in trade-based money laundering activities between Paraguay and the United States. As a result of the TTU, Paraguay has identified millions of dollars of lost revenue and has helped target a criminal organization accused of supporting a terrorist entity.

Paraguay is a member of the “3 + 1” Security Group with the United States and the Tri-Border Area countries. Paraguayan and U.S. law enforcement agencies cooperate on a case-by-case basis. To date, the Paraguayan financial intelligence unit (FIU) has signed 29 MOUs with other FIUs and is in the process of signing eight more.

Prosecutors handling financial crimes have limited resources to investigate and prosecute. In addition, the selection of judges, prosecutors and public defenders is largely based on politics, nepotism, and influence peddling. The lack of interagency cooperation throughout Paraguay, and particularly within law enforcement, is an impediment to effective enforcement, prosecution, and reporting efforts.

Asset forfeiture legislation is desperately needed in Paraguay. Paraguayan law does not provide for freezing or seizure of many criminally derived assets. Law enforcement can only freeze assets of persons under investigation for a crime in which the state risks loss of revenue from furtherance of a criminal act, such as tax evasion. Enforcement agencies have limited authority to seize or forfeit assets of suspected money launderers. Assets seized or forfeited are limited to transport vehicles, such as planes and cars, and normally do not include bank accounts. When a



seizure does occur, law enforcement authorities cannot dispose of these assets until a defendant is convicted. A draft bill requesting power be granted to the Secretariat for the Prevention of Money or Property Laundering (SEPRELAD) to administratively freeze assets without judicial approval is currently being reviewed by the Paraguayan Presidency. However, the administrative freeze would only be temporary unless either extended by a court order, or finalized through a conviction.

The non-bank financial sector operates in a weak regulatory environment with limited supervision. The organization responsible for regulating and supervising credit unions, the National Institute of Cooperatives, lacks the capacity to enforce compliance. Exchange houses are another non-bank sector where enforcement of compliance requirements remains limited.

There are no laws that regulate the amount of currency that can be brought into or out of Paraguay. Required customs declaration reports are seldom checked. Customs operations at the airports or overland entry points provide no control of cross-border cash movements.

## Philippines

The Republic of the Philippines is not a regional financial center. Despite its developed financial system, the Philippines is still a heavily cash-based economy, with substantial remittances from its large expatriate community. Nonetheless, money launderers generally use formal financial institutions to conceal proceeds of crime, and the weak national ID system makes implementing a robust “know your customer” system difficult.

The principle sources of criminal proceeds are human and drug trafficking, official corruption, and investment scams. The Philippines’ geographic position makes it attractive to human and narcotics traffickers; and relatively open sea borders complicate enforcement of currency controls. The Philippines continues to experience an increase in foreign organized criminal activity from China, Hong Kong, and Taiwan. Insurgency groups operating in the Philippines partially fund their activities through local crime and the trafficking of narcotics and arms, and engage in money laundering through ties to organized crime. Smuggling, including bulk cash smuggling, continues to be a problem.

There are free trade zones and four offshore banking units (OBUs). The Central Bank exercises regulatory supervision over OBUs and requires them to meet reporting provisions and other banking rules and regulations.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** List approach

***Legal persons covered:*** criminally: YES civilly: YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** NO

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:***  
YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

### **KNOW-YOUR-CUSTOMER RULES:**

**Covered entities:** Banks, quasi banks, trust entities, and all other institutions and their subsidiaries/affiliates supervised/regulated by the Philippine Central Bank; insurance and pre-need companies; securities dealers, brokers/sales representatives, investment houses, mutual funds, and other entities managing securities as agents/consultants; foreign exchange dealers, money changers, remittance/transfer agents; and, entities dealing in valuable objects, currency, financial derivatives, cash substitutes, and similar monetary instruments.

**Enhanced due diligence procedures for PEPs:** *Foreign:* NO *Domestic:* NO

### **SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

**Covered entities:** Banks, quasi banks, trust entities, and all other institutions and their subsidiaries/affiliates supervised/regulated by the Philippine Central Bank; insurance and pre-need companies; securities dealers, brokers/sales representatives, investment houses, mutual funds, and other entities managing securities as agents/consultants; foreign exchange dealers, money changers, remittance/transfer agents; and, entities dealing in valuable objects, currency, financial derivatives, cash substitutes, and similar monetary instruments.

**Number of STRs received and time frame:** 6,298 (January 1-November 30, 2010)

**Number of CTRs received and time frame:** 35,924,241 (January 1-November 30, 2010)

### **MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 33 as of November 30, 2010

**Convictions:** One as of November 30, 2010

**Assets forfeited:** *criminally:* None *civilly:* approximately \$20,592,909 as of November 30, 2010

### **RECORDS EXCHANGE MECHANISM:**

**With U.S.:** YES

**With other governments/jurisdictions:** YES

The Philippines is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent evaluation can be found here: <http://www.apgml.org/documents/docs/17/The%20Philippines%20DAR%20-%20Final%2020210809.pdf>

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The Philippines' financial intelligence unit (FIU) investigations are severely constrained by limited authority to access bank information. Except in instances of serious offenses such as kidnapping for ransom, drugs and terrorism-related activities, the FIU is required to secure a court order to examine bank deposit accounts related to unlawful activities enumerated in the Anti-Money Laundering Act. In addition, a Supreme Court ruling prevents ex parte inquiry into bank accounts. The FIU can, however, seek an ex parte freeze order from the Court of Appeals before seeking authorization to inquire into bank deposits. The FIU also must obtain a court order to freeze assets, including those of terrorists and terrorist organizations placed on the UN 1267 Sanctions Committee's consolidated list and the lists of foreign governments. This requirement is inconsistent with the international standard, which calls for the preventative freezing of terrorist assets "without delay" from the time of designation. The Government of the

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Philippines (GOP) should enhance the FIU's access to financial records, and ensure it can rapidly freeze terrorist assets.

Terrorist financing is not a stand-alone offense under Philippine law and therefore not a predicate crime under the Anti-Money Laundering Act. A person who finances the commission of terrorism may be prosecuted as a terrorist either as a principal by inducement pursuant to Article 17 of the Revised Penal Code or as an accomplice pursuant to Section 5 of the Human Security Act. However, this approach requires a terrorist act to have occurred and does not encompass general financial support to terrorist entities for other purposes (recruiting, training, social welfare projects, etc.). The GOP should criminalize terrorist financing as a stand-alone offense, and enhance training on its connection to money laundering.

The GOP has cooperated with the USG to share assets. However, the GOP should formalize asset sharing arrangements, and clearly designate which agencies have authority over this process.

### Russia

The current administration aspires to establish the capital, Moscow, as an international financial center. However, money laundering (ML) and terrorist financing (TF) are prevalent in Russia, where there is a high level of organized crime and corruption. Domestic sources of laundered funds include organized crime, evasion of tax and customs duties, fraud, public corruption, and smuggling operations. Criminal elements from Russia and neighboring countries continue to use Russia's financial system and foreign legal entities to launder money. Criminals invest and launder their proceeds in real estate and security instruments, or use them to buy luxury consumer goods. Russia has been a repeated victim of terrorism, and some TF schemes involve the misuse of alternative remittance networks by foreign and North Caucasian terrorist groups. Despite making progress in combating financial crimes, Russia remains vulnerable to such activities. Russia's risk factors, such as the many large-scale financial transactions associated with its vast natural resources; the state's major role in the economy; the country's porous borders and its role as a geographic gateway between Europe and Asia; and chronic under-funding and lack of capacity of regulatory and law enforcement agencies, create an environment in which corruption and financial crimes flourish.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES***

***CRIMINALIZATION OF MONEY LAUNDERING:***

*"All serious crimes" approach or list approach to predicate crimes:* All crimes

*Legal persons covered: criminally:* NO      *civilly:* NO

***CRIMINALIZATION OF TERRORIST FINANCING:***

*Ability to freeze terrorist assets without delay:* YES

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:*  
YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

### ***KNOW-YOUR-CUSTOMER RULES:***

***Covered Entities:*** Banks and credit institutions; Russia Post; payment acceptance and money transfer services; securities, insurance and leasing companies; investment and non-state pension funds; casinos and gambling outlets, dealers in precious metals and stones, real estate agents, and pawnshops

***Enhanced due diligence procedures for PEPs:*** *Foreign:* YES      *Domestic:* NO

### ***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

***Covered entities:*** Banks and credit institutions, securities markets, investment and pension funds, Russian Post, insurance sector, leasing companies, dealers in precious metals and stones, casinos, real estate agents, lawyers, notaries, and persons providing legal or accounting services

***Number of STRs received and time frame:*** 3,147,937 - January 1 to October 1, 2010

***Number of CTRs received and time frame:*** 5,030,727 - January 1 to October 1, 2010

### ***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 50 - January 1, 2010 to October 1, 2010; 208 in 2009

***Convictions:*** 110 in 2009

***Assets forfeited: criminally:*** \$9.6 million - 2009    ***civilly:*** Not available

### ***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** YES

***With other governments/jurisdictions:*** YES

Russia is a member of the Financial Action Task Force (FATF). It also is a member of two FATF-style regional bodies: the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) and the Eurasian Group on Combating Money Laundering and the Financing of Terrorism (EAG). Its most recent mutual evaluation can be found here:

[http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Russia\\_en.asp](http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Russia_en.asp)

### ***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Through aggressive enactment and implementation of comprehensive anti-money laundering/combating the financing of terrorism (AML/CFT) legislation, Russia has established much of the legal and enforcement framework to deal with money laundering and terrorist financing. On July 23, 2010, Russia adopted amendments that improve legislation on AML/CFT. These amendments focus on three main areas: expanding AML/CFT coverage, clarifying legal definitions, and improving administrative oversight for enforcement of AML/CFT legislation. AML/CFT coverage has been expanded to subsidiary branches, representative offices, and affiliates of financial institutions located outside the Russian Federation. Furthermore, microfinance and short-term loans, which have grown significantly in Russia, are now subject to AML/CFT laws. In addition to expanding AML/CFT coverage, the new amendments clarify definitions critical to enforcement, such as “beneficiary,” “organization of internal control,” “conduct of internal control,” “customer,” “identification,” and “data recording.”

Amendments to the Code of Administrative Infringements improve regulatory oversight for violation of AML/CFT legislation. These amendments broaden the authority of the FIU (Rosfinmonitoring) and the Central Bank of Russia to conduct investigations of ML violations.

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Order 203, issued August 3 by Rosfinmonitoring, replaces Order 256 regarding the obligation to conduct staff training on AML issues. Directive 967-R sets forth requirements for all non-banking organizations concerning the development of ML internal control rules. The Code of Administrative Offenses now specifies five types of “ML safety” violations, instead of grouping all violations under one general offense.

It is too early to assess the impact of the 2010 amendments to the AML/CFT Law. Implementing regulations have not been issued for critical components of the new law, such as monitoring of affiliates’ operations outside the Russian Federation. Furthermore, it will take time for private sector entities to incorporate the clarified definitions into their AML/CFT practices. Reforms to the Code of Administrative Infringements do not address the full array of regulatory oversight challenges for enforcement of AML/CFT liability.

Russia takes an “all crimes” approach to money laundering predicate offenses, with the exception of six financial crimes, such as insider trading and stock market manipulation. To address these exceptions, Law 241-FZ was passed on October 30, 2009 to criminalize insider trading, stock market manipulation, and other similar crimes, but it does not take effect until 2014. Under Russian law, corporations cannot be held criminally liable; only a natural person is subject to criminal liability. Additionally, “tipping off” by bank directors and employees is not explicitly prohibited; the relevant section of the legislation only criminalizes revealing “measures taken against money laundering and terrorist financing”. Some new payment mechanisms, such as certain internet-based payment systems, are not covered by Russia’s AML/CFT controls.

Although Russia continues to establish and develop anti-corruption measures, corruption continues to be a problem. The Government of Russia should continue to aggressively pursue corruption; similarly, it should continue to pursue increased transparency in the financial sector and ensure that domestic PEPs are monitored with the same scrutiny as foreign PEPs.

Russia has successfully spread awareness of AML/CFT in its financial sector and has weeded out noncompliant financial institutions; however, significant discrepancies still remain between the standards of international and local domestic banks. Further attempts should be made to bring the AML efforts of all Russian banks to a more sophisticated level, including continued enhancement of the compliance training and certification process.

Russia hosts and funds the Secretariat of the EAG, and through this effort has contributed to improving the region’s AML/CFT capacity. Russia should continue to play a leadership role through sustained involvement in the regional and international bodies focusing on AML/CFT regime implementation.

## Singapore

Singapore is a significant international financial and investment center as well as a major offshore financial center. The structural gaps in Singapore’s financial regulations make it vulnerable to money launderers, and its financial crimes enforcement should be strengthened. Stringent bank secrecy laws and the lack of routine currency reporting requirements make Singapore a potentially attractive destination for drug traffickers, transnational criminals, foreign corrupt officials, terrorist organizations and their supporters seeking to launder money or fund terrorist activities. Authorities have taken action against Jemaah Islamiyah and its members and have identified and frozen terrorist assets held in Singapore. Terrorist financing in general remains a risk.

As of December 2009, there were 38 offshore banks in operation, all foreign-owned. Singapore has increasingly become a center for offshore private banking and asset management. Total assets under management in Singapore increased 40 percent in 2009 to S\$1.2 trillion (approximately \$861 billion). Singapore does not permit shell banks.

Singapore has eight free trade zones (FTZs), six for seaborne cargo and two for airfreight, regulated under the Free Trade Zone Act. The FTZs may be used for storage, repackaging of import and export cargo, assembly and other manufacturing activities approved by the Director General of Customs in conjunction with the Ministry of Finance.

**DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO**

***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* List approach

*Legal persons covered: criminally:* YES      *civilly:* YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

*Ability to freeze terrorist assets without delay:* YES

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:*  
YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

***KNOW-YOUR-CUSTOMER RULES:***

*Covered entities:* Banks, financial institutions, finance companies, merchant banks, life insurers, brokers, securities dealers, investment advisors, futures brokers and advisors, trust companies, approved trustees, and money changers and remitters

*Enhanced due diligence procedures for PEPs: Foreign:* NO    *Domestic:* NO

***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

*Covered entities:* Banks, auditors, financial advisors, capital market service licensees and exempt persons, finance companies, lawyers, notaries, merchant banks, life insurers, trust companies, approved trustees, real estate agents and money changers and remitters

*Number of STRs received and time frame:* 11,004 in 2009

*Number of CTRs received and time frame:* Not available. Reporting began in 2010.

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

*Prosecutions:* 23 in 2008

*Convictions:* 24 in 2008

*Assets forfeited: criminally:* \$10,962,377    *civilly:* Not applicable

***RECORDS EXCHANGE MECHANISM:***

*With U.S.:* YES

*With other governments/jurisdictions:* YES

Singapore is a member of the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering, a FATF-style regional body. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/36/42/40453164.pdf>

### ***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Singapore's rigid bank secrecy is sometimes an impediment to effective international cooperation in financial crimes enforcement. Less rigid bank secrecy restrictions would enhance Singapore's law enforcement cooperation in areas such as information sharing and conformance to international standards and best practices.

Singapore's legal system generally provides for the investigation and prosecution of money laundering offenses. However, the implementation of these laws is uneven, particularly in prosecuting money laundering as a stand-alone offense, and investigating foreign-sourced cases. Singaporean police are fairly successful at identifying domestic predicate offenses, and include ancillary money laundering charges as appropriate. Singapore should more aggressively pursue domestic stand-alone money laundering offenses as well.

Singapore's large, stable, and sophisticated financial center may be attractive as a conduit for laundering proceeds generated by foreign criminal activities, including official corruption. The Suspicious Transaction Reporting Office (STRO) and criminal investigators are encouraged to identify money laundering that originates from foreign predicate offenses, and use stand-alone money laundering charges to prosecute third-party offenders in Singapore.

## **Somalia**

There is no recognized central government of Somalia. The Transitional Federal Government (TFG) controls only portions of the country's capital and remote pockets of some regions. The TFG is besieged by an insurgency that is led by international terrorist organization al-Shabaab. Many ministries exist in name only, or have non-functioning, mostly unpaid staff. There is no court system to speak of, and policing is rudimentary. The laws that exist - anti-money laundering (AML), counter-terror financing (CFT), or otherwise - are effectively unenforced given the security threats in Somalia and lack of capacity. Corruption is rampant. The financial system in Somalia operates almost completely outside of any system of oversight, either on the black market or via international money transfer companies/hawalas.

Due to its lack of a public regulatory system and its inaccessibility to international diplomats and law enforcement, little is known about money laundering in Somalia. No information is available on drug-related currency transactions channeling through Somali financial institutions. Because Somalia's narcotics trade is centered on khat, a controlled substance in much of the world but legal in Somalia, the proceeds are not illegal. Thus, it is not likely that khat money is laundered in Somalia. Most khat proceeds go back to khat transporters based outside Somalia in cash or via money transfer companies.

Pirates mostly launder their ransoms in northern Somalia, as well as perhaps in neighboring countries, the Middle East, or Europe. The ransoms are delivered through cash drops to pirates holding ships off Somalia's coast and divided among the pirates and those in their support networks. Officials in Somalia's northern region of Puntland reportedly benefit from pirate ransoms. They may facilitate ransom laundering or the transfer of ransom money to neighboring countries or globally. In this manner, public corruption significantly facilitates money laundering. Much of the ransom reportedly remains in cash. Anecdotal reports indicate that ransom money finances real estate, luxury goods and businesses.



Smuggling is rampant. Somalia has one of the longest land borders and the longest coastline in Africa. The TFG and local officials control almost none of its borders, and goods flow into and out of Somalia with no TFG knowledge. There are occasional but unverified reports of U.S. dollar counterfeiting in al-Shabaab-controlled areas.

Somalia is a center for terrorism financing. Al-Shabaab is headquartered here and financed by contributions from terrorist financiers outside the region, including from the global Somali diaspora and business community. Some of the funds enter Somalia as cash, but a significant portion likely passes through hawalas. Al-Shabaab operations are also financed through extortion of private citizens and local businesses, revenue from seaports under their control, and to an unknown extent by diversion of humanitarian and development assistance.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* Not applicable

*Legal persons covered:* *criminally:* NO *civilly:* NO

***CRIMINALIZATION OF TERRORIST FINANCING:***

*Ability to freeze terrorist assets without delay:* NO

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:* NO

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

***KNOW-YOUR-CUSTOMER RULES:***

*Covered entities:* None

*Enhanced due diligence procedures for PEPs:* *Foreign:* NO *Domestic:* NO

***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

*Covered entities:* None

*Number of STRs received and time frame:* Not Applicable

*Number of CTRs received and time frame:* Not Applicable

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

*Prosecutions:* 0

*Convictions:* 0

*Assets forfeited:* *criminally:* 0 *civilly:* 0

***RECORDS EXCHANGE MECHANISM:***

*With U.S.:* NO

*With other governments/jurisdictions:* NO

Somalia is not a member of any Financial Action Task Force (FATF)-style regional body.

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***



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Somalia has been without a functioning central government since 1991. There are no AML/CFT laws, and the financial regulations that do exist go unenforced given the lack of policing and investigative capacity and Somalia's insecurity. International standards, to the extent they are recognized, are self imposed in Somalia by hawalas and other financial entities that must meet international rules and regulations to do business elsewhere in the world. The lack of laws, regulatory bodies, and enforcement mechanisms to counter money laundering and financial crimes is likely due to a lack of capacity, and not a lack of political will. Obstacles to enacting AML/CFT laws include the TFG's lack of territorial control, threats to the government by the al-Shabaab insurgency, and lack of capacity and resources at all levels of government.

There were no arrests for money laundering in 2010. There was one interdiction of a suspected terrorist financier's couriering cash illegally into Somalia. However, interdictions such as this often result in an arrest, followed by indefinite detentions or releases given Somalia's inadequate judicial system. In one case, incoming counterfeit U.S. dollars were seized at Mogadishu International Airport. It is not clear what happened to the perpetrator.

There are no government entities charged with, or capable of tracking, seizing, or freezing illegal assets or terrorist funds. Somalia has no laws requiring forfeiture of laundered assets or of terrorist finances, and laws that could lend themselves to AML/CFT are not enforced.

The TFG has called on regional governments to help stem the flow of terrorist financing, including requesting that local governments trace, freeze, and seize funds and finances related to and supporting al-Shabaab. Somalia has cooperated with USG law enforcement on numerous occasions, most recently investigations concerning suspected terrorists and kidnapping, piracy and acts of terror committed inside and outside Somalia, but there has been no known assistance with regard to investigations involving financial crimes.

## Spain

Spain is a major European center of money laundering activities as well as an important gateway for illicit narcotics entering Europe. Drug proceeds from other regions enter Spain as well, particularly proceeds from Afghan hashish from Morocco, cocaine entering Latin America, and, in significantly lower volume, heroin from Turkey and the Netherlands. Tax evasion in internal markets and the smuggling of goods along the coastline also continue to be sources of illicit funds in Spain. The smuggling of electronics and tobacco from Gibraltar remains an ongoing problem. Passengers traveling from Spain to Latin America reportedly smuggle sizeable sums of bulk cash. Colombian cartels allegedly use proceeds from drug sales in Spain to purchase goods in Asia that are subsequently sold legally in Colombia or at stores run by drug cartels in Europe. Credit card balances are paid in Spanish banks for charges made in Latin America, and money deposited in Spanish banks is withdrawn in Colombia through ATM networks.

An unknown percentage of drug trafficking proceeds are invested in Spanish real estate, particularly in the once-booming coastal areas in the south and east of the country, though less so since the speculative real estate bubble burst in 2008. Up to twenty percent of the 500 euro notes in use in Europe were reported to be in circulation in Spain during 2009, directly linked to the purchase of real estate to launder money. Efforts by Spain's tax authority to deter fraudulent activity involving these large bank notes have kept the number of 500 euro notes at October 2008 levels (around 110 million notes).

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES***

**CRIMINALIZATION OF MONEY LAUNDERING:**

**“All serious crimes” approach or “list” approach to predicate crimes:** All serious crimes

**Legal persons covered: criminally:** YES      **civilly:** YES

**CRIMINALIZATION OF TERRORIST FINANCING:**

**Ability to freeze terrorist assets without delay:** YES

**UN lists of designated terrorists or terrorist entities distributed to financial institutions:**  
YES

(Please refer to the Department of State’s Country Reports on terrorism, which can be found at <http://www.state.gov/s/ct/rls/crt/>)

**KNOW-YOUR-CUSTOMER RULES:**

**Covered entities:** Banks; mutual savings associations; credit companies; insurance companies; financial advisers; brokerage and securities firms; pension fund managers; collective investment schemes; postal services; currency exchange outlets; individuals and unofficial financial institutions exchanging or transmitting money; realty agents; dealers in precious metals, stones, antiques and art; legal advisors and lawyers; accountants; auditors; notaries; and casinos

**Enhanced due diligence procedures for PEPs: Foreign:** YES      **Domestic:** YES

**SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

**Covered entities:** Banks; mutual savings associations; credit companies; insurance companies; financial advisers; brokerage and securities firms; pension fund managers; collective investment schemes; postal services; currency exchange outlets; individuals and unofficial financial institutions exchanging or transmitting money; realty agents; dealers in precious metals, stones, antiques and art; legal advisors and lawyers; accountants; auditors; notaries; and casinos

**Number of STRs received and time frame:** 2,904 in 2008 (most recent available figures)

**Number of CTRs received and time frame:** Not available

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** Not available

**Convictions:** Not available

**Assets forfeited: criminally:** Not available      **civilly:** Not available

**RECORDS EXCHANGE MECHANISM:**

**With U.S.:** YES

**With other governments/jurisdictions:** YES

Spain is a member of the Financial Action Task Force (FATF) and a cooperating and supporting nation to the Caribbean Financial Action Task Force, a FATF-style regional body. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/52/3/37172019.pdf>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Spain has long been dedicated to fighting terrorist organizations, including ETA, GRAPO, and more recently, al-Qaida. Spanish law enforcement entities have identified several methods of

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terrorist financing: donations to finance nonprofit organizations (including ETA and Islamic groups); establishment of publishing companies that print and distribute books or periodicals for the purposes of propaganda, which then serve as a means for depositing funds obtained through kidnapping or extortion; fraudulent tax and financial assistance collections; the establishment of “cultural associations” used to facilitate the opening of accounts and provide a cover for terrorist financing activity; and alternative remittance system transfers.

Spanish authorities recognize the presence of alternative remittance systems. Informal non-bank outlets such as “*locutorios*” (communication centers that often offer wire transfer services) are used to move money in and out of Spain by making small international transfers for members of the immigrant community. Spanish regulators also note the presence of hawala networks in the Islamic community.

On April 29, 2010, Spain enacted Law 10/2010, on preventing money laundering and terrorist financing. The new law incorporates and enhances Law 19/1993 on preventing money laundering, and supersedes Law 12/2003, on preventing terrorist financing, which was never fully implemented. Law 10/2010 introduces a risk-based approach to preventing money laundering and terrorist financing and imposes stringent requirements on financial institutions as well as designated non-financial businesses and professionals (DNFBP). Additionally, implementation of Law 10/2010 will greatly enhance authorities’ capacity to combat terrorist financing by placing greater requirements, with stiffer penalties for non-compliance, on financial institutions and other businesses, and by strengthening monitoring and oversight. The new law entered into force immediately; however, implementing regulations will not be approved until 2011; until then, many of its provisions are not being implemented.

The Government of Spain should clarify whether its laws allow civil forfeiture. Spain should maintain and disseminate statistics on investigations, prosecutions, and civil asset forfeiture. More generally, the government needs to review the resources available for industry supervision and ensure that the FIU has the independence and resources it needs to effectively discharge its responsibilities.

## Switzerland

Switzerland is a major international financial center. Reporting indicates that criminals attempt to launder illegal proceeds in Switzerland from a wide range of criminal activities conducted worldwide. These illegal activities include, but are not limited to, financial crimes, narcotics trafficking, arms trafficking, organized crime, terrorist financing and corruption. Although both Swiss and foreign individuals or entities launder money in Switzerland, foreign narcotics trafficking organizations, often based in Russia, the Balkans, Eastern Europe, South America and West Africa, dominate the narcotics-related money laundering operations in Switzerland. The country’s central geographic location, relative political, social, and monetary stability, the range and sophistication of financial services it provides, and its long tradition of bank secrecy not only contribute to Switzerland’s success as a major international financial center, but also expose Switzerland to potential money laundering abuse.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO  
CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* All serious crimes

*Legal persons covered: criminally:* YES      *civilly:* YES

**CRIMINALIZATION OF TERRORIST FINANCING:**

*Ability to freeze terrorist assets without delay:* YES

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:*  
YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

**KNOW-YOUR-CUSTOMER RULES:**

*Covered entities:* Banks, securities and insurance brokers, money exchangers or remitters, financial management firms, investment companies, insurance companies, casinos, or individuals acting as intermediaries in bank lending, money transactions, trading of currencies or dealing in matters of wealth management and investment advice

*Enhanced due diligence procedures for PEPs: Foreign:* YES      *Domestic:* YES

**SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

*Covered entities:* Banks, securities and insurance brokers, money exchangers or remitters, financial management firms, casinos, or individuals acting as intermediaries in bank lending, money transactions, trading of currencies or dealing in matters of wealth management and investment advice

*Number of STRs received and time frame:* 896 in 2009

*Number of CTRs received and time frame:* Not applicable

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 269 individuals in 2009

*Convictions:* 172 individuals in 2009

*Assets forfeited: criminally:* Not available      *civilly:* Not available

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* YES

*With other governments/jurisdictions:* YES

Switzerland is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: (<http://www.fatf-gafi.org/dataoecd/53/52/43959966.pdf>)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The Swiss money laundering regime is generally perceived to conform to international standards and Swiss authorities are regularly updating their legislation. For instance, on October 1, 2010, a new law on PEPs was issued and will reportedly be put into force on January 20, 2011.

Additionally, on January 1, 2011, the 26 cantonal codes of criminal procedure were replaced with regulations in the Swiss Penal Code (“Strafgesetzbuch”), designed to unify procedural rules and facilitate international cooperation.

The anti-money laundering (AML) law does not explicitly cover real estate brokers and dealers of arts, antiquities and other high-value goods. Also, for terrorist financing reporting, Swiss

authorities distinguish the obligation to communicate (reasonable suspicion) and the right to communicate (simple suspicion) given the degree of suspicion that prevails.

Under the law, measures for insurance companies and other financial intermediaries (excluding banks) are not sufficiently elaborated. Additionally, several measures have been implemented for anonymous companies, but some deficiencies remain as the competent authorities do not have access to the register of the shareholders. Furthermore, a lack of transparency exists in relation to foundations run by non professionals. The Swiss Financial Market Supervisory Authority (FINMA) is not authorized to impose pecuniary sanctions; it can only issue administrative ones. Furthermore, the breadth of the sanctions may not always take into account the gravity of the crime.

In 2009, approximately 65% of filed suspicious activity reports (SARs) came from the banking sector and seven SARs were linked to suspected terrorist financing. The number of SARs hit an all-time high in 2009. Fraud (37%), embezzlement (10%), organized crime (9%), and money laundering (9%) were the most common predicate/suspected criminal offenses, and nearly two-thirds of all SARs were generated by media reports, third-party information and information from prosecuting authorities. No particular money laundering issues about non-profit organizations, alternative remittance systems, offshore sectors, free trade zones or bearer shares have occurred.

Switzerland has returned more money to the countries of origin than any other financial centre, amounting to a total of \$1.8 billion. Furthermore, Switzerland is involved in many multilateral fora related to asset recovery, corruption and development.

## Taiwan

Taiwan's modern financial sector, strategic location on international shipping lanes, and role as an international trade hub make it vulnerable to transnational crimes, including money laundering, drug trafficking, trade fraud, and smuggling. Though illegal in Taiwan, a significant volume of informal financial activity takes place through unregulated non-bank channels. In recent years Taiwan has taken steps to shift much of this activity into official, regulated financial channels. Taiwan has five free trade zones and a growing offshore banking sector. There is no significant black market for smuggled goods in Taiwan.

Domestic money laundering is generally related to tax evasion, drug trafficking, public corruption, and a range of economic crimes. An emerging trend in money laundering is the use of jewelry stores as a type of underground remittance system. Jewelers convert illicit proceeds into precious metals, stones, and foreign currency, and generally move them using cross-border couriers. The tradition of secrecy in the precious metals and stones trade make it difficult for law enforcement to detect and deter money laundering in this sector.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** List approach

***Legal persons covered:*** criminally: YES civilly: YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

*Ability to freeze terrorist assets without delay:* YES

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:*  
YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

**KNOW-YOUR-CUSTOMER RULES:**

*Covered entities:* Banks, credit co-operative associations, credit departments of Farmers' Associations and Fishermen's Associations, Department of Savings & Remittances of Chunghwa Post Co., securities firms, life insurance companies, and dealers in precious metals and stones

*Enhanced due diligence procedures for PEPs: Foreign:* NO *Domestic:* YES

**SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

*Covered entities:* Banks, credit co-operative associations, credit departments of Farmers' Associations and Fishermen's Associations, Department of Savings & Remittances of Chunghwa Post Co., securities firms, life insurance companies, jewelry stores, and members of the National Real Estate Broking Agencies Association

*Number of STRs received and time frame:* 1,845 (January - December 2009)

*Number of CTRs received and time frame:* 2,963, 282 (January - December 2009)

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 39 persons (January - December 2010)

*Convictions:* 11 persons (January - December 2010)

*Assets forfeited: criminally:* NT\$593.8 million (approximately \$20.1 million) (January - December 2010) *civilly:* Not applicable

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* YES

*With other governments/jurisdictions:* YES

Taiwan is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

[http://www.apgml.org/documents/docs/17/Chinese%20Taipei%20MER2\\_FINAL.pdf](http://www.apgml.org/documents/docs/17/Chinese%20Taipei%20MER2_FINAL.pdf)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Taiwan continues to strengthen its AML/CFT regime. However, the government has not passed legislation that would address weaknesses in terrorist financing prevention measures, despite numerous draft laws over the past several years. While the financing of terrorist activities in Taiwan is a criminal offense, it is not an autonomous offense, and does not specifically cover the financing and support of terrorist activities overseas. Taiwan should pass legislation to criminalize terrorism and terrorist financing as an autonomous crime, and clarify that the law covers such activities overseas.

Many types of designated non-financial businesses and professions are not subject to AML/CFT requirements. The lack of reporting, customer due diligence and recordkeeping requirements makes these entities particularly vulnerable to money laundering/terrorist financing activity.

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Taiwan should take steps to amend its legislation and regulations, as necessary, to bring all DNFBPs, as listed in the international standards, within the scope of its AML/CFT coverage.

Foreign politically exposed persons (PEPs) are not subject to enhanced due diligence. Taiwan's Financial Supervisory Commission, the top financial regulator in Taiwan, is establishing a databank for "high profile politicians" in an effort to prevent money laundering. Once established, financial institutions will be required to identify, record, and report the identities of high-profile customers engaging in significant or suspicious transactions.

Taiwan is unable to ratify UN conventions because of long-standing political issues. However, it has enacted domestic legislation to implement the standards in the key AML/CFT UN Conventions. Amendment of the money laundering legislation incorporated related laws to fully implement the provisions of the Vienna, Palermo and terrorist financing conventions and resolutions.

Taiwan should raise awareness of the vulnerabilities of non-profit organizations to terrorist financing, and should exert more authority over this sector. The government should abolish all shell companies and prohibit the establishment of new shell companies of any type. Given the increasing threat of alternative remittance centers such as the precious metals and stones sector, Taiwan's law enforcement should enhance investigations of underground financial systems.

Taiwan began to draft new legislation of the Mutual Assistance Act for Criminal Justice in January of 2010. In the draft legislation, mutual legal assistance request doesn't need to initiate judicial proceedings as precondition in requesting jurisdiction.

## Thailand

Thailand is a centrally located, middle-income Southeast Asian country surrounded by economically less vibrant neighbors along an extremely porous border. Thailand is vulnerable to money laundering from its own underground economy as well as many categories of cross-border crime, including illicit narcotics and other contraband smuggling. The Thai black market includes a wide range of pirated and smuggled goods, from counterfeit medicines to luxury automobiles. Money launderers and traffickers use banks, as well as non-bank financial institutions and businesses to move the profits of narcotics trafficking and other criminal enterprises. In the informal money changing sector there is an increasing hawala-type money shop presence servicing Middle Eastern travelers in Thailand, most of them arriving to avail themselves of the country's comparatively inexpensive medical services. The Thai banking regulations cover these institutions adequately, but effective oversight of the least formal operations is difficult to achieve.

Thailand is a source, transit, and destination country for international migrant smuggling and trafficking in persons, a production and distribution center for counterfeit consumer goods and, increasingly, a center for the production and sale of fraudulent travel documents. Illegal gaming, corruption, underground lotteries, and prostitution are all problems. Thailand's criminal justice system has low capacity to deal with these challenges but is improving.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.?: NO  
CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* List approach

*Legal persons covered: criminally:* YES      *civilly:* YES

**CRIMINALIZATION OF TERRORIST FINANCING:**

*Ability to freeze terrorist assets without delay:* YES

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:*  
YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

**KNOW-YOUR-CUSTOMER RULES:**

*Covered entities:* Banks (including state banks), finance companies, securities dealers, insurance companies, money exchanges and remitters, asset management companies, jewelry and gold shops, automotive hire-purchase businesses or car dealers, real-estate agents/brokers, antique shops, personal loan businesses, electronic card and credit-card businesses, electronic payment businesses, and deposit/lending cooperatives

*Enhanced due diligence procedures for PEPs: Foreign:* NO      *Domestic:* YES

**SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

*Covered entities:* Banks (including state banks); finance and factoring companies; securities dealers; insurance companies; money exchanges and remitters; asset management companies; financial management firms; jewelry and gold shops; automotive hire-purchase businesses or car dealers; real-estate agents/brokers; antique shops; personal loan businesses; electronic payment, card and credit-card businesses; deposit/lending cooperatives; and the Ministry of Interior’s Department of Lands

*Number of STRs received and time frame:* 616,148 from January 1 – October 31, 2010

*Number of CTRs received and time frame:* 522,318 from January 1 – October 31, 2010

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 15 from October 2007 – March 2008

*Convictions:* Not available

*Assets forfeited: criminal:* None      *civil:* \$529,000 from October 2007 – March 2008

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* YES

*With other governments/jurisdictions:* YES

Thailand is a member of Asia/Pacific Group against Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: [www.apgml.org/documents/docs/17/thailand](http://www.apgml.org/documents/docs/17/thailand)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Thai law does not provide for enhanced due diligence for politically exposed persons nor does it adequately prohibit “tipping off,” leaving financial institutions and their employees subject to potential liability for filing STRs. Furthermore, there is no comprehensive cross-border currency reporting or seizure system. The Government of Thailand should amend its legislation as necessary to ensure these deficiencies are corrected.



There have been no prosecutions since 2008. Both the AML Board and Transaction Committee were dissolved several years ago. The Transaction Committee approves seizures for civil forfeiture. Thailand has had no seizures for forfeiture since the Transaction Committee was disbanded. A new AML Board was appointed in November, 2010.

Thailand should become a party to the UN Convention against Corruption and the UN Convention against Transnational Organized Crime.

During 2010, the FATF identified Thailand as a jurisdiction with significant AML/CFT vulnerabilities. In response, the Thai government expressed high-level political commitment to address deficiencies in its AML/CFT regime, and reported taking steps to address these deficiencies. For example, the Thai government drafted a proposed Counter-Terrorism Financing Act which, in part, would criminalize the collection or provision of funds for the purpose of supporting terrorist acts or organizations. However, important actions are still pending, including passage of key amendments and regulations which will augment the current AML/CFT regime. The Thai FIU lacks clear leadership, with a new Secretary General yet to be appointed. For AMLO to become a sophisticated agency able to take substantial casework, it will need to build extensive institutional capacity and political will.

## Turkey

Turkey is an important regional financial center, particularly for Central Asia and the Caucasus, as well as for the Middle East and Eastern Europe. While the vast majority of Turkey's economy is legitimate, money laundering is a problem. Turkey continues to be a major transit route for Southwest Asian opiates moving to Europe. However, narcotics trafficking is only one source of the funds laundered in Turkey. Other significant sources of laundered funds include invoice fraud and tax evasion, and to a lesser extent, smuggling, counterfeit goods, and forgery. Terrorist financing and terrorist organizations with suspected involvement in narcotics trafficking and other illicit activities are also present in Turkey. Money laundering takes place in banks, non-bank financial institutions, and the underground economy. The World Bank estimates as much as 30 percent of the economic activity is derived from unregistered businesses. Money laundering methods in Turkey include: the large-scale cross-border smuggling of currency; bank transfers into and out of the country; trade fraud; and the purchase of high-value items such as real estate, gold, and luxury automobiles. Turkish-based traffickers transfer money and sometimes gold via couriers, the underground banking system, and bank transfers to pay narcotics suppliers in Pakistan or Afghanistan. Funds are transferred to accounts in the United Arab Emirates, Pakistan, and other Middle Eastern countries.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes

***Legal persons covered:*** *criminally:* YES *civilly:* YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** YES

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:*  
YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

### **KNOW-YOUR-CUSTOMER RULES:**

*Covered entities:* Banks and regulated financial institutions, including the Central Bank; securities companies; post office banks; Islamic financial houses; and exchange offices

*Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO*

### **SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

*Covered entities:* Banks; card issuers; consumer finance, financial leasing and factoring companies; insurance companies, lotteries, vehicle sales outlets, antique dealers, pension and mutual funds, exchange houses, dealers in art, high-value goods, precious stones and precious metals, and precious metals exchange intermediaries, notaries, sports clubs, real estate companies, capital and portfolio management companies, postal service and cargo companies

*Number of STRs received and time frame:* 9,823 in 2009; 6,718 through August 24, 2010

*Number of CTRs received and time frame:* Not applicable

### **MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 279 from 1997-2009; 15 in 2009

*Convictions:* 22 from 1997-2009; three in 2009

*Assets forfeited: criminally:* Not available      *civilly:* Not applicable

### **RECORDS EXCHANGE MECHANISM:**

*With U.S.:* YES

*With other governments/jurisdictions:* YES

Turkey is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/14/7/38341173.pdf>

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Turkish Criminal Court records are closed to the public. According to statistics from Turkey's financial intelligence unit, Financial Crimes Investigation Board (MASAK), between 2005 and 2009, 342 money laundering cases were referred for further investigation, but only 22 cases resulted in convictions. In 2009, the 15 prosecutions resulted in three convictions. There are still 188 cases pending in the courts. Moreover, all of the convictions are reportedly under appeal. There is a lack of specialization and understanding of anti-money laundering/counter-terrorist financing (AML/CFT) provisions among relevant authorities, which has contributed to the high number of acquittals in money laundering cases.

Turkey and the United States cooperate closely on narcotics and money laundering investigations.

Although legal persons are subject to criminal liability, the sanctions against such entities are limited. There is no mandated enhanced due diligence for PEPs; banks are simply encouraged to give closer scrutiny to such customers.

The Government of Turkey's (GOT) non-profit sector is likely vulnerable to abuse by terrorist financing. The Turkish government is still developing the investigative skills, law enforcement

expertise, financial oversight and outreach necessary to effectively counter this threat. The nonprofit sector is not audited on a regular basis for counter-terrorist finance vulnerabilities and does not receive adequate AML/CFT outreach or guidance from the GOT. The General Director of Foundations issues licenses for charitable foundations and oversees them. However, there are a limited number of auditors to cover more than 70,000 institutions.

Laws related to terrorist financing are limited to acts committed by members of organizations operating against the Turkish Republic, so the collection, donation and movement of funds by terrorist organizations would not be prohibited if the funds could not be linked to a specific domestic terrorist threat. While the GOT has implemented UNSCR 1267, it has not yet established punishment or sanctions for institutions that fail to observe a freezing order, and it has not yet established procedures for delisting entities or unfreezing funds. Additionally, the GOT has not taken steps that would allow it to freeze the assets of entities designated by other jurisdictions, as required under UNSCR 1373.

In February 2010, the FATF identified Turkey as a jurisdiction with significant AML/CFT vulnerabilities, chief among them Turkey's lack of adequate criminalization of terrorist financing and national asset freezing mechanisms. The GOT adopted an action plan designed to commit to a timeline for implementing new legislation. A draft law on the "Prevention of Terrorism Financing" intended to address the CFT deficiencies is currently within the Prime Ministry where it is being reviewed by experts.

## Ukraine

In Ukraine, high risks of money laundering have been identified in foreign economic activities, credit and finance, the fuel and energy industry, and the metal and mineral resources market. Illicit proceeds are primarily generated through corruption; fictitious entrepreneurship; fraud; trafficking in drugs, arms, and persons; organized crime; prostitution; and tax evasion. Various laundering methodologies are used, including real estate, insurance, bulk cash smuggling, and through financial institutions. There is a significant market for smuggled goods and a large informal financial sector. These activities are linked to the evasion of taxes and customs duties.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES***

***CRIMINALIZATION OF MONEY LAUNDERING:***

*"All serious crimes" approach or "list" approach to predicate crimes:* All serious crimes

*Legal persons covered:* *criminally:* YES *civilly:* YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

*Ability to freeze terrorist assets without delay:* YES

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:*  
YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

***KNOW-YOUR-CUSTOMER RULES:***

**Covered entities:** Banks, non-bank financial institutions, insurance companies, gambling institutions, credit unions, depositories, securities traders, registers, pawnshops, mail service operators and other money transfer services, real estate traders, certain traders of precious metals and stones, notaries, auditors, lawyers and leasing providers

**Enhanced due diligence procedures for PEPs:** *Foreign:* YES      *Domestic:* NO

### **SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

**Covered entities:** Banks, non-bank financial institutions, insurance companies, gambling institutions, credit unions, depositories, securities traders, registers, pawnshops, mail service operators and other money transfer services, real estate traders, certain traders of precious metals and stones, notaries, auditors, lawyers, and leasing providers.

**Number of STRs received and time frame:** See below

**Number of CTRs received and time frame:** 728,799 in 2010

### **MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** Not available

**Convictions:** 48 from January 1 to April 1, 2010

**Assets forfeited:** *criminally:* \$94 million in 2009      *civilly:* Not applicable

### **RECORDS EXCHANGE MECHANISM:**

**With U.S.:** YES

**With other governments/jurisdictions:** YES

Ukraine is member of MONEYVAL, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

[http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/Evaluation\\_reports\\_en.asp](http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/Evaluation_reports_en.asp)

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

On May 18, 2010, Ukraine's Parliament passed amendments to Ukraine's anti-money laundering/counter-terrorist financing (AML/CFT) legislation. The amendments are a significant step forward. The new legislation replaces and significantly improves Ukraine's basic AML/CFT Law, and amends relevant portions of the criminal code to bring them into greater compliance with international standards. Among other improvements, the May 18, 2010 amendments require enhanced due diligence procedures for PEPs. However, the procedure of informing primary financial monitoring agencies about the list of foreign PEPs is yet to be developed.

While it does not appear that significant narcotic proceeds are laundered through Ukraine's financial institutions, the rise of cybercrime and related transnational organized crime would suggest that significant amounts of U.S. currency are diverted to this region.

Through their regulatory agencies, banks and non-bank financial services receive the U.S. designations of suspected terrorists and terrorist organizations under Executive Order 13224 and other U.S. authorities and are instructed to report any transactions involving designated individuals or entities. According to the new anti-money laundering law, the financial institution or FIU has the power to suspend suspicious transactions for a limited amount of time (up to 14 days). Afterwards, assets may only continue to be held if law enforcement bodies initiate a criminal case or if it can be established that the assets are related to terrorist activity, in which case they can be held indefinitely. The need to initiate criminal cases might provoke serious delays that would allow the assets to be transferred before action could be taken to freeze the accounts. Draft legislation will address additional details of terrorist assets freezing, such as an

enhanced definition of terrorist assets, procedures for seizing assets of individuals designated on international terrorist lists; and the procedural prerequisites to seizing terrorist assets.

While Ukraine has signed and ratified the necessary treaties, in many instances they are not applied or are applied poorly. Furthermore, while Ukraine is a party to UNCAC and UNTOC, the provisions of these conventions are not implemented or are not working properly in Ukraine.

Ukraine has remained on the FATF list of countries with “strategic deficiencies” since February 2010. The remaining deficiencies include poor terrorist asset freezing provisions, inadequate criminalization of market manipulation and insider trading, and the absence of corporate criminal liability for terrorist financing. Ukraine also lacks any functional regime for locating or seizing forfeitable assets.

Although, the current legislation does not provide for autonomous prosecution of money laundering, Ukraine continues to take measures to improve it. There were two cases of autonomous investigations and prosecutions of money laundering. Ukraine should place additional emphasis on developing these capabilities.

Most importantly, while Ukraine's legislation has been significantly modernized, Ukraine lacks examples of successful prosecutions of money laundering. This is due to the lack of specialized expertise among prosecutors in handling complex financial cases, corruption within law enforcement and the courts, and poor coordination among prosecutors, investigators, and the FIU. Ukraine has taken steps to improve the technical expertise of the Prosecutor General's Office through training of its law enforcement and prosecutors. This training should be continually developed, placing an emphasis on the systematic use of financial investigations, the use of existing tools and investigative techniques, analysis and use of computer techniques, and by providing relevant guidance.

## United Arab Emirates

The United Arab Emirates (UAE) is an important financial center in the Middle East region. Dubai, in particular, is a major international banking and trading center. The country also has a growing offshore financial center and 38 free trade zones. The UAE's robust economic development, political stability, and liberal business environment have attracted a massive influx of people, goods, and capital, which may leave the country susceptible to money laundering activities. The UAE also is vulnerable to money laundering due to its geographic location as the primary transportation and trading hub for the Persian Gulf States, East Africa, and South Asia; longstanding trade relations with Iran; its expanding trade ties with the countries of the former Soviet Union; and lagging relative transparency in its corporate environment.

The potential for money laundering is exacerbated by the large number of resident expatriates (roughly 80 - 85 percent of total population) who send remittances to their homelands. Given the country's proximity to Afghanistan, where most of the world's opium is produced, narcotics traffickers are increasingly reported to be attracted to the UAE's financial and trade centers. Other money laundering vulnerabilities in the UAE include cash couriers, hawala, trade based money laundering, smuggling, the real estate sector, and the misuse of the international gold and diamond trade.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

**CRIMINALIZATION OF MONEY LAUNDERING:**

*“All serious crimes” approach or “list” approach to predicate crimes:* All serious crimes

*Legal persons covered: criminally:* YES      *civilly:* YES

**CRIMINALIZATION OF TERRORIST FINANCING:**

*Ability to freeze terrorist assets without delay:* YES

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:*  
YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

**KNOW-YOUR-CUSTOMER RULES:**

*Covered entities:* Banks, money exchange houses, finance companies, and any other financial institutions operating in the UAE

*Enhanced due diligence procedures for PEPs: Foreign:* YES    *Domestic:* YES

**SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

*Covered entities:* Banks, money exchange houses, finance companies, and any other financial institutions operating in the UAE

*Number of STRs received and time frame:* 2,711

*Number of CTRs received and time frame:* Not available

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* Not available

*Convictions:* Not available

*Assets forfeited: criminally:* Not available    *civilly:* Not applicable

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* NO

*With other governments/jurisdictions:* YES

The United Arab Emirates is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

<http://www.menafatf.org/images/UploadFiles/UAEoptimized.pdf>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The Government of the UAE has shown some progress in enhancing its AML/CFT program. In August 2009, the Central Bank issued a circular instructing local banks not to handle accounts belonging to politically exposed persons (PEPs). Information sharing between the UAE’s financial intelligence unit (FIU), the Anti-Money Laundering and Suspicious Cases Unit (AMLSCU), and some foreign FIUs has substantially improved.

Several areas requiring further action by the UAE Government (UAEG) remain. The UAE should increase the capacity and resources it devotes to investigation of AML/CFT both federally at the AMLSCU and at emirate-level law enforcement. AMLSCU needs to improve its timely financial information sharing capability to conform to international standards. Law enforcement and customs officials should proactively develop cases based on investigations,

rather than wait for STR-based case referrals from the AMLSCU. Law enforcement and customs officials should conduct more thorough inquiries into large declared and undeclared cash imports into the country, as well as require - and enforce - outbound declarations of cash and gold utilizing existing smuggling laws. Currently the law only requires the disclosure of inbound cash above the delineated threshold.

Although UAE legislation includes a provision prohibiting “tipping off,” the provision is very narrow and does not appear to address the disclosure of STR filings to third parties. Additionally, the Central Bank regulations appear to require institutions to notify customers of suspicions regarding their accounts. This would appear to contradict any “tipping off” prohibitions.

All facets of trade-based money laundering should be given greater scrutiny by UAE customs and law enforcement officials, including customs fraud, the trade in gold and precious gems, commodities used as counter-valuation in hawala transactions, and the misuse of trade to launder narcotics proceeds. The UAEG should expand follow-up with financial institutions and the Ministry of Social Affairs regarding regulations on charities to ensure their registration at the federal level. The UAE should also continue its regional efforts to promote sound charitable oversight. The cooperation between the Central Bank and the offshore Dubai Financial Services Authority (DFSA) needs improvement, with lines of authority clarified. Moreover, the absence of meaningful statistics across all sectors is a significant hindrance to the assessment of the effectiveness of the AML/CFT program.

## United Kingdom

The United Kingdom (UK) plays a leading role in European and world finance and remains attractive to money launderers because of the size, sophistication, and reputation of its financial markets. Although narcotics are still a major source of illegal proceeds for money laundering, the proceeds of other offenses, such as financial fraud and the smuggling of people and goods, have become increasingly important. The past few years have seen an increase in the movement of cash via the non-bank financial system, as banks and mainstream financial institutions have tightened their controls and increased their vigilance. The use of *bureau de change*, cash smugglers (into and out of the UK), and traditional gatekeepers (including solicitors and accountants) to move and launder criminal proceeds has been increasing. Also on the rise are credit/debit card fraud, use of the internet for fraud, and the purchasing of high-value assets to disguise illegally obtained money. A July 2009 Home Office report estimates that the total cost of the economic and social harm caused to the UK by serious organized crime is around GBP 68.4 billion (approximately \$107.75 billion) per year.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All crimes approach

***Legal persons covered: criminally:*** YES      ***civilly:*** YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** YES

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:*  
YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

### **KNOW-YOUR-CUSTOMER RULES:**

*Covered entities:* Financial and credit institutions, independent legal professionals, auditors, accountants, tax advisors, auditors, insolvency practitioners, estate agents, casinos, high value goods dealers, and trust or company service providers

*Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO*

### **SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

*Covered entities:* Financial and credit institutions, independent legal professionals, auditors, accountants, tax advisors, auditors, insolvency practitioners, estate agents, casinos, high value goods dealers, and trust or company service providers

*Number of STRs received and time frame:* 240,582 (October 1, 2009 – September 30, 2010)

*Number of CTRs received and time frame:* Not applicable

### **MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* Not available

*Convictions:* Not available

*Assets forfeited: criminally:* Not available *civilly:* Not available

### **RECORDS EXCHANGE MECHANISM:**

*With U.S.:* YES

*With other governments/jurisdictions:* YES

The United Kingdom is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: [www.fatf-gafi.org/dataoecd/44/8/44048060.pdf](http://www.fatf-gafi.org/dataoecd/44/8/44048060.pdf)

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The United Kingdom has a comprehensive range of anti-money laundering/countering the financing of terrorism (AML/CFT) laws. It is an active participant in multilateral efforts to meet AML/CFT threats. The UK engages in efforts to freeze the assets of persons who commit terrorist acts, as required by the United Nations. In January 2010, the United Kingdom Supreme Court held that the government had earlier exceeded its authority by imposing asset freezing orders that went beyond the requirements of Security Council Resolution 1373. The Supreme Court reinstated temporary asset freezing regulations as an interim measure following the judgment. In December 2010, the United Kingdom replaced the temporary provisions with a new legislative framework that raises the burden of proof for freezing assets from "reasonable suspicion" to "reasonable belief".

## Uruguay

Uruguay remains vulnerable to the threats of money laundering (ML) and terrorist financing (TF). Uruguay has a highly dollarized economy with about 80 percent of deposits and 70 percent of credits denominated in U.S. dollars. The U.S. dollar is often used as a business currency and many goods and services, including real estate and vehicles, are quoted and sold in



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dollars. Officials from the Uruguayan police and judiciary assess that there is a growing presence of Mexican and Colombian criminal organizations in the Southern Cone and are concerned they could begin operating in Uruguay. Drug dealers are slowly starting to participate in other illicit activities like car theft and trafficking in persons. The Government of Uruguay (GOU) acknowledges there is a growing risk of money laundering in the real estate sector, in free zones and in bureaus that administer corporations, and in late 2010, passed a decree to improve controls in those areas.

The vast majority of money laundering cases that have become public have been related to drugs. Uruguay has porous borders with Argentina and Brazil, and there is a market for smuggled goods that is greatly determined by price differentials between Uruguay and its neighbors. Trade-based money laundering is likely to occur but specialists do not identify it as a major source of risk.

The six offshore banks operating in Uruguay are subject to the same laws, regulations, and controls as local banks, with the GOU requiring they be licensed through a formal process that includes a background investigation of the principals. Offshore trusts are not allowed. Bearer shares may not be used in banks and institutions under the authority of the Central Bank, and any share transactions must be authorized by the Central Bank.

There are 13 free trade zones (FTZs) located throughout the country. While most are dedicated solely to warehousing, two were created exclusively for the development of the paper and pulp industry, and three accommodate a wide variety of tenants offering a wide range of services, including financial services. Some of the warehouse-style FTZs have been used as transit points for containers of counterfeit goods bound for Brazil and Paraguay. A decree passed in November 2010 discourages shell companies from establishing a presence in FTZs.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** List approach

***Legal persons covered: criminally:*** NO      ***civilly:*** YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** YES

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:***  
NO

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

***KNOW-YOUR-CUSTOMER RULES:***

***Covered entities:*** Banks, currency exchange houses, stockbrokers, pension funds, insurance companies, casinos, art dealers, real estate and fiduciary companies, lawyers, accountants, and other non-banking professionals that carry out financial transactions or manage commercial companies on behalf of third parties

***Enhanced due diligence procedures for PEPs: Foreign:*** YES    ***Domestic:*** YES

***SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:***

**Covered entities:** Banks; currency exchange houses; stockbrokers and pension funds; insurance companies; businesses that perform safekeeping, courier or asset transfer services; professional trust managers; investment advisory services; casinos; real estate brokers and intermediaries; notaries; auctioneers; dealers in antiques, fine art and precious metals or stones; FTZ operators; and natural or judicial persons who carry out transactions or administer corporations on behalf of third parties

**Number of STRs received and time frame:** 195 - January 1–December 16, 2010

**Number of CTRs received and time frame:** One - January 1–December 16, 2010

### **MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** Four in 2009

**Convictions:** Five in 2009

**Assets forfeited:** **criminally:** Not available **civilly:** Not available

### **RECORDS EXCHANGE MECHANISM:**

**With U.S.:** YES

**With other governments/jurisdictions:** YES

The GOU is a member of the Organization of American States Inter-American Drug Abuse Control Commission (CICAD) Experts Group to Control Money Laundering. Uruguay is a member of the Financial Action Task Force on Money Laundering in South America (GAFISUD), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.gafisud.info/pdf/InformeEMUruguay09.pdf>

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Uruguay has significantly upgraded its anti-money laundering legislation in recent years and improved its enforcement actions. Law 18.494, passed in 2009, gives national authorities more flexibility to fight money laundering and terrorist financing, and Decree 226/10, passed in December 2010, includes detailed provisions for non-financial sector entities obliged to report suspicious transactions. Decree 226/10 stipulates risk-based customer due diligence (CDD) procedures, sets *de minimis* procedures, and establishes CDD thresholds in specific activities: casinos (over \$3,000), and art dealers and auctioneers (over \$15,000). The decree also provides for enhanced due diligence (EDD) for high risk customers, such as those involving non-residents from countries that fail to apply international standards. Real estate brokers must apply EDD procedures in transactions over \$15,000 and notaries and auctioneers must apply them in transactions over \$200,000 (or over \$100,000 in cash). While Decree 226/10 does not distinguish between local and foreign PEPs, it appears to be focused on locals. A list of about 5,000 local PEPs is available on the Central Bank's website.

Decree 226/010 mandates obligated entities to establish internal procedures that would enable them to detect goods or transactions related to individuals or terrorist organizations included in the UN list. The financial intelligence unit publishes the UN 1267 Sanctions Committee list on its website but does not distribute it to financial institutions. It does not send the USG lists of terrorists to financial institutions but includes them in its database and runs name checks against it. There have been no reported cases or investigations related to terrorist financing.

In 2010 Uruguay joined the Egmont Group of Financial Intelligence Units. Tax evasion is not an offense in Uruguay, which limits cooperation possibilities because the financial intelligence unit cannot share tax-related information with its regional counterparts.

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In an ongoing high-profile case, 14 people were indicted in September 2006 for a money laundering charge tied to the largest cocaine seizure in Uruguay at that time; in June 2008 the kingpin was convicted and in November 2009 five individuals, including a well known attorney, were prosecuted. Through 2009 the GOU had frozen assets totaling \$20 million, of which \$17 million were frozen in 2009 alone. The Anti-Money Laundering Secretariat seeks to create awareness about the importance of seizing assets as well as imprisoning criminals.

The GOU should enhance its regulation and monitoring of the real estate sector and sports industries.

## Venezuela

Venezuela is one of the principal drug-transit countries in the Western Hemisphere. Cocaine produced in Colombia is trafficked through Venezuela to the Eastern Caribbean, Central America, the United States, Europe, and western Africa. In 2010, Mexican drug trafficking organizations gained an increased presence in Venezuela. Venezuela's proximity to drug producing countries, weaknesses in its anti-money laundering regime, limited bilateral cooperation, and alleged substantial corruption in law enforcement and other relevant sectors continue to make Venezuela vulnerable to money laundering. The main sources of money laundering are proceeds generated by drug trafficking organizations and illegal transactions that exploit Venezuela's currency controls and its various exchange rates

Money laundering occurs through commercial banks, exchange houses, gambling sites, fraudulently invoiced foreign trade transactions, smuggling, real estate (in the tourist industry), agriculture and livestock businesses, securities transactions, and trade in precious metals. Venezuela is not a regional financial center and does not have an offshore financial sector, although many local banks have offshore affiliates in the Caribbean. Trade-based money laundering, such as the black market peso exchange, through which money launderers furnish narcotics-generated dollars in the United States to commercial smugglers, travel agents, investors, and others in exchange for Colombian pesos, remains a prominent method for laundering regional narcotics proceeds. It is reported that many black market traders ship their goods through Margarita Island's free port.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes

***Legal persons covered:*** *criminally:* YES *civilly:* YES

***CRIMINALIZATION OF TERRORIST FINANCING:***

***Ability to freeze terrorist assets without delay:*** NO

***UN lists of designated terrorists or terrorist entities distributed to financial institutions:***  
YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

***KNOW-YOUR-CUSTOMER RULES:***

**Covered entities:** The Fund of Deposit Guaranty and Bank Protection; universal, commercial, mortgage, investment, and development banks; representative offices of foreign banks; leasing financiers; money market funds; savings and loan entities; exchange houses; foreign exchange operators; credit card issuers; societies and funds of reciprocal guaranties; municipal institutes or credit businesses; insurance companies; casinos; real estate agents; construction companies; car dealerships; hotels, travel agents, and the tourism industry; and dealers in precious metals and stones

**Enhanced due diligence procedures for PEPs:** *Foreign:* YES *Domestic:* YES

### **SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

**Covered entities:** The Fund of Deposit Guaranty and Bank Protection, banks, leasing financiers, money market funds, savings and loan entities, exchange houses, financial groups, frontier exchange operators, credit card issuers, societies and funds of reciprocal guaranties, municipal institutes or businesses of credit, funds and societies of capital risk, representative offices of foreign banks, insurance and reinsurance companies, casinos, real estate agents, construction companies, car dealerships, hotels and the tourism industry, travel agents, and dealers in precious metals and stones

**Number of STRs received and time frame:** 1,086 through October 31, 2010

**Number of CTRs received and time frame:** Not available

### **MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** Ten 2006-2010

**Convictions:** Seven 2006-2010

**Assets forfeited:** *criminally:* Not available *civilly:* Not available

### **RECORDS EXCHANGE MECHANISM:**

**With U.S.:** NO

**With other governments/jurisdictions:** YES

Venezuela is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

[http://cfatfgafic.org/downloadables/mer/Venezuela\\_3rd\\_Round\\_MER\\_%28Final%29\\_English.pdf](http://cfatfgafic.org/downloadables/mer/Venezuela_3rd_Round_MER_%28Final%29_English.pdf)

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

There is little evidence the Government of Venezuela (GOV) has made enforcement of anti-money laundering laws and regulations a priority. Reportedly, many, if not most, judicial and law enforcement officials remain ignorant of anti-money laundering countermeasures. Additionally, although the law includes many financial institutions and designated non-financial businesses and professions as covered entities, no implementing regulations have been developed and, in practice, the majority of entities are not subject to mandatory reporting and customer due diligence requirements. The insurance and securities sectors and the Venezuelan Association of Currency Exchange Houses, which counts all but one of the country's money exchange companies among its membership, voluntarily comply with the STR reporting requirements.

In 2010, the FATF identified Venezuela as a country with strategic anti-money laundering and counter-terrorist financing (AML/CFT) deficiencies. The resulting action plan includes

adequately criminalizing terrorist financing; establishing and implementing adequate procedures to identify and freeze terrorist assets; ensuring a fully operational and effectively functioning financial intelligence unit; implementing adequate customer due diligence guidelines for all sectors, including the securities sector; and establishing adequate STR reporting obligations for money laundering and terrorist financing.

Corruption is a very serious problem in Venezuela and appears to be worsening. Transparency International's Corruption Perception Index for 2010 ranks Venezuela at 164 of 178 countries on the index. Venezuela has laws to prevent and prosecute corruption, and accepting a bribe is a criminal act. However, the judicial system has been ineffective historically and is accused of being overtly politicized. The current regime of price and foreign exchange controls also has provided opportunities for corruption. Trade-based money laundering and value transfer is a significant problem in Venezuela. In March 2010, 16 individuals were indicted in Miami on charges of conspiracy to launder narcotics proceeds. The case involved trade-based money laundering focused on Venezuela.

Venezuela and the United States signed a Mutual Legal Assistance Treaty (MLAT) in 1997. The Financial Crimes Enforcement Network (FinCEN) suspended the exchange of information with Venezuela's National Financial Intelligence Unit (UNIF) in January 2007 due to the unauthorized disclosure of information provided by FinCEN, and the relationship has not resumed to date. In 2009 and 2010, there was no money laundering information exchange between Venezuela and the United States.

## Zimbabwe

Zimbabwe is not a regional financial center, but it faces problems related to money laundering and official corruption. Regulation and enforcement in the financial sector are weak, mainly due to a lack of trained regulators and investigators and limited asset seizure authority. These deficiencies expose the country to money laundering abuses, but there are no data on the extent of money laundering in Zimbabwe. The exposure is greatest within the financial sector, which includes both formal and informal institutions. Commercial banks, building societies, moneylenders, insurance brokers, realtors, and lawyers in Zimbabwe are all vulnerable to exploitation by money launderers. Financial crime may also be magnified by opportunities to smuggle diamonds.

Anti-money laundering laws are sometimes abused for political purposes. More broadly, corruption sometimes impedes application of Zimbabwe's anti-money laundering mechanisms.

Nearly all transactions in Zimbabwe are now carried out with either the U.S. dollar or the South African rand. The Government of Zimbabwe's (GOZ) switch to this "multi-currency regime" dramatically reduced opportunities for money laundering and financial crime, thereby eliminating multiple exchange rates and opaque foreign-exchange controls. Of late, the parliamentary committee on mining has held officials to account for GOZ actions in the Marange diamond fields, and the minister of finance has implemented a new law to improve accountability at the Reserve Bank of Zimbabwe (RBZ).

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* All serious crimes

*Legal persons covered: criminally:* YES      *civilly:* YES

**CRIMINALIZATION OF TERRORIST FINANCING:**

*Ability to freeze terrorist assets without delay:* NO

*UN lists of designated terrorists or terrorist entities distributed to financial institutions:*  
YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

**KNOW-YOUR-CUSTOMER RULES:**

*Covered entities:* Commercial banks, acceptance houses, discount houses, money transfer agencies, *bureaux de change*, insurance companies, and finance houses

*Enhanced due diligence procedures for PEPs: Foreign:* NO    *Domestic:* NO

**SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:**

*Covered entities:* Banks, acceptance houses, discount houses, money transfer agencies, *bureaux de change* and cash dealers, insurance companies, finance houses, lawyers, accountants, pension funds, casinos, moneylenders, estate agents, import/export businesses, and trust management and service providers

*Number of STRs received and time frame:* Not available

*Number of CTRs received and time frame:* Not available

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* None in 2010

*Convictions:* None in 2010

*Assets forfeited: criminally:* None in 2010    *civilly:* None in 2010

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* NO

*With other governments/jurisdictions:* YES

Zimbabwe is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

[http://www.esaamlg.org/userfiles/Zimbabwe\\_detailed\\_report.pdf](http://www.esaamlg.org/userfiles/Zimbabwe_detailed_report.pdf)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Zimbabwe’s law provides for freezing and forfeiture of assets, and the banking system can quickly freeze deposits. Law enforcement and regulatory agencies lack the resources to combat money laundering vigorously. For example, financial institutions typically receive information related to designations from private sources, not from government agencies. The capacity for broader freezing or forfeiture of terrorist assets is untested.

Zimbabwe does have broad legislation on mutual legal assistance in both civil and criminal cases, and there are no legal or practical impediments to rendering assistance, provided both Zimbabwe and the requesting country criminalize the activity.

## Money Laundering and Financial Crimes

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The United States, Canada, Australia, and the European Union have imposed targeted financial sanctions and travel restrictions on political leaders and others believed to have been complicit in human rights abuses.