



United States Department of State
*Bureau for International Narcotics and Law
Enforcement Affairs*

Money Laundering and Financial Crimes Country Database

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Money Laundering/Financial Crimes 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 *2012 Money Laundering and Financial Crimes Country Database* supplements the *2012 International Narcotics Control Strategy Report, Money Laundering and Financial Crimes*, and highlights the most significant steps reporting countries and jurisdictions have taken to improve their anti-money laundering/counter-terrorist financing (AML/CFT) regimes. It 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.

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.

Countries and Jurisdictions Table

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

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
FTZ	Free Trade Zone
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

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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
UN Drug Convention	1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances

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UNGPML	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
USAID	Agency for International Development
USG	United States Government

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, 2011, that jurisdictions have, or have not, taken to combat money laundering. This reference table provides a comparison of elements that include 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.
- 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.

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- 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

“Y” is meant to indicate that appropriate legislation has been enacted to address the captioned items. It does not imply full compliance with international standards. Please see the individual country reports for information on any deficiencies in the adopted laws/regulations.

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	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	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
Country/ Jurisdiction																					
Afghanistan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Albania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Algeria	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Andorra	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N
Angola	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	N	N	N	N	N	N	Y	Y	Y	Y	N
Anguilla¹	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	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Argentina	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	N	Y	N	N	Y	Y	Y	Y	N
Armenia	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Aruba²	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Australia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	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
Azerbaijan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	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

¹ The UK extended its application of the 1988 UN Drug Convention to Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Guernsey, Isle Of Man, Jersey, Montserrat, and Turks and Caicos. The International Convention For The Suppression of Terrorism Financing has been extended to Guernsey, Isle Of Man, and Jersey. The UNCAC has been extended to British Virgin Islands, Guernsey, Isle Of Man, and Jersey. The UNTOC has been extended to Gibraltar.

² The Netherlands extended its application of the 1988 UN Drug Convention and the International Convention for the Suppression of Terrorism Financing to Aruba and Curacao. The UNTOC has been extended to Aruba.

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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	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	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
Country/ Jurisdiction																					
Bahrain	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Bangladesh	Y	Y	Y	Y	Y	Y	N	N	Y	N	Y	Y	N	Y	Y	Y	Y	Y	N	Y	N
Barbados	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Belarus	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	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	N	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	Y	Y*	Y	Y	N	N	Y	Y	Y	Y	Y	Y	N
Bermuda ¹	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	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Bosnia & Herzegovina	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Botswana	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	N	N	N	Y	Y	Y	Y	N
Brazil	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	N
British Virgin Islands ¹	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N
Brunei	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	N	Y	Y	Y	Y	Y	N
Bulgaria	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Burkina Faso	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Burma	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	N	N	Y	Y	Y	N	Y
Burundi	Y	Y	Y	Y	Y	Y	N	N	N	Y*	Y	Y	N	Y	Y	N	Y	N	N	Y	N
Cambodia	Y	N	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	N	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	N	Y	Y*	Y	Y	N	N	N	N	Y	Y	Y	Y	N
Cayman Islands ¹	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N

Money Laundering and Financial Crimes

Country/ Jurisdiction	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	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	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
Central African Rep.		Y	Y	Y	N	Y	Y	Y	Y	N	N	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Chad		Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	N	N	Y	Y	Y	Y	Y	Y	N	N
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	N	N	Y	Y	N	Y	Y	Y	Y	N
Colombia		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Comoros		Y	Y	N	N	N	N	Y	Y	Y	Y*	Y	N	N	Y	Y	N	Y	Y	Y	N	N
Congo, Dem Rep. of		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
Congo, Rep. of		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	N	Y	Y	Y	Y	N	Y	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	N	Y	Y	Y	Y	Y	Y	Y	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	N	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y
Curacao ²		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
Cyprus ³		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
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	N	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	N	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N
Dominica		Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	N

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³ Area administered by Turkish Cypriots	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	N	Y	N	Y	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 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	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	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
Country/ Jurisdiction																					
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	N	Y	Y	Y	Y	Y	N
Equatorial Guinea	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	Y	N	Y	Y	Y	N	Y	Y	N	N
Eritrea	N	N	N	Y	Y	Y	N	N	Y	Y*	N	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	Y*	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N
Fiji	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	N
Finland	Y	Y	Y	Y	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	N	Y	Y	Y	Y	Y	Y	Y	N
Gabon	Y	Y	Y	Y	Y	Y	N	N	N	Y*	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Gambia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N	Y	N	N
Georgia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	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	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	N	Y	N
Gibraltar ¹	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N	N
Greece	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Grenada	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N
Guatemala	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Guernsey ¹	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	Y	Y	Y	N	Y	Y	Y	N	N	Y

Money Laundering and Financial Crimes

Country/ Jurisdiction	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	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	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
Guyana	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Haiti	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	Y	N	N	N	Y	Y	Y	Y	N
Holy See	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	N	N	N	N	N	N
Honduras	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Hong Kong ⁴	Y	Y	Y	N	Y	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	Y	N
Iceland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
India	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Indonesia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Iran	Y	Y	Y	N	Y	Y	N	N	N	N	Y*	N	N	N	N	N	N	Y	N	N	Y	Y
Iraq	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N
Ireland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Isle of Man ¹	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N
Israel	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Italy	Y	Y	Y	N	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	Y	Y*	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	N	Y	Y	N	N	N
Jersey ¹	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N
Jordan	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Kazakhstan	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Kenya	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	N	N	Y	Y	Y	Y	N

⁴ The People's Republic of China extended the 1988 UN Drug Convention, the International Convention for the Suppression of Terrorism Financing, the UNTOC and the UNCAC to the Special Administrative Regions of Hong Kong and Macau.

Money Laundering and Financial Crimes

Country/ Jurisdiction	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	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	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
Kosovo	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	N	N	N	N
Kuwait	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	N	N	Y	N	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	Y	N
Laos	Y	Y	Y	N	Y	Y	N	N	Y	Y*	Y	N	N	N	N	N	Y	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	N
Lebanon	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	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	Y	N
Liberia	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N	N	N	N	Y	Y	Y	Y	N
Libya	Y	Y	Y	N	Y	Y	N	N	N	Y*	N	N	N	N	N	N	N	Y	Y	Y	Y	Y
Liechtenstein	Y	Y	Y	N	Y	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	Y	N
Luxembourg	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Macau ⁴	Y	Y	Y	N	Y	Y	Y	Y	N	Y	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	Y	N
Madagascar	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	N	N	Y	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	Y	N
Malaysia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N
Maldives	Y	N	Y	N	Y	N	N	N	N	Y*	Y	Y	N	Y	Y	N	Y	Y	N	Y	N	N
Mali	Y	Y	Y	N	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N
Malta	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N
Marshall Islands	Y	Y	N	N	Y	N	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mauritania	Y	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	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	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	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	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
Country/ Jurisdiction																					
Mexico	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Micronesia, FS	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	N	Y	Y	Y	Y	N	N
Moldova	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	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	Y	Y	Y	N	N	Y	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Montenegro	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Montserrat¹	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
Morocco	Y	Y	Y	N	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	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Nauru	Y	N	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	Y	N	Y	N	N	N
Nepal	Y	Y	Y	Y	Y	N	N	Y	Y	Y*	N	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Netherlands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	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	N	Y	Y	N	Y	Y	Y*	N	Y	N	Y	Y	N	Y	Y	Y	Y	N
Nigeria	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Niue	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	N	N	N	N	N	N	N	N	N
North Korea	Y	Y	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N	N/A	N/A	N/A	N/A	N/A	Y	N	N	N	Y
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	N	Y	Y	Y	Y	Y	Y	N	N
Pakistan	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Palau	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	N	Y	N	N	N
Panama	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	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	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	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
Country/ Jurisdiction																					
Papua New Guinea	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	Y	Y	N	Y	Y	N	N	Y	N	Y	N
Paraguay	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Peru	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Philippines	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N	Y	Y	Y	Y	N
Poland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Portugal	Y	Y	Y	Y	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	Y	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	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Rwanda	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
St. Kitts & Nevis	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
St. Lucia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N
St. Maarten	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
St. Vincent & the Grenadines	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Samoa	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	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
Sao Tome & Principe	Y	N	Y	N	Y	N	N	N	N	Y	N	N	N	Y	Y	Y	Y	Y	Y	Y	N
Saudi Arabia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Senegal	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Serbia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Seychelles	Y	Y	N	N	Y	Y	Y	Y	N	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	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	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	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
Country/ Jurisdiction																					
Sierra Leone	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	N	N	Y	Y	N	Y	N
Singapore	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
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	N
Solomon Islands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	N	Y	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
South Korea	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
South Sudan	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	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	Y	Y	N	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Sudan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Suriname	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N
Swaziland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Sweden	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	N	Y	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	N	Y	N	Y	Y	N	Y	Y	Y	N	Y
Taiwan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N	N
Tajikistan	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Tanzania	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Thailand	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N	Y	Y	N	Y	N
Timor-Leste	Y	Y	Y	Y	Y	N	Y	Y	Y	Y*	N	Y	N	Y	Y	Y	N	N	Y	Y	N
Togo	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	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	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	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
Country/ Jurisdiction																					
Tonga	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	N	N	N
Trinidad and Tobago	Y	Y	Y	Y	Y	Y	Y	Y	Y	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	N	Y	Y	Y	Y	Y	Y	Y	N
Turkey	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Turkmenistan	Y	Y	Y	Y	Y	Y	N	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Turks & Caicos ¹	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
Uganda	N	N	Y	Y	Y	Y	N	N	N	N	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Ukraine	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N
UAE	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
United Kingdom	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Uruguay	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Uzbekistan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	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
Venezuela	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	N
Vietnam	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	N	N	N	Y	N	N	Y	Y	N	Y	N
Yemen	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Zambia	Y	Y	N	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N
Zimbabwe	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y

All Money Laundering and Financial Crimes Countries/Jurisdictions

Afghanistan

Afghanistan is not a regional or offshore center. Terrorist and insurgent financing, money laundering, cash smuggling, abuse of informal value transfer systems, and other illicit activities designed to finance organized criminal activity continue to pose serious threats to the security and development of Afghanistan. Afghanistan remains a major drug trafficking and drug producing country, and is the world's largest opium producer and exporter.

The growth in Afghanistan's banking sector has slowed considerably in recent years; and traditional payment systems, particularly hawala networks, remain significant in their reach and scale. The weaknesses of the banking sector, as demonstrated by the Kabul Bank crisis, further incentivize the use of informal mechanisms and exacerbate the difficulty of developing a transparent formal financial sector in Afghanistan. The narcotics trade, corruption and contract fraud are major sources of illicit revenue and laundered funds. The unlicensed and unregulated hawalas in major drug areas such as Helmand likely account for a substantial portion of the illicit proceeds being moved in the financial system, undetected by authorities. There are estimates that hawaladars in Kandahar, the country's second largest city, and the opium producing province of Helmand handle \$1 billion in drug money per year. Despite ongoing efforts by the international community to build Afghanistan's capacity to regulate its financial sector and the capacity of law enforcement to investigate financial crimes, it is unable to consistently uncover and disrupt financial crimes because of limited resources, lack of expertise, corruption, and insufficient political will. Proposed reforms and efforts to urge law enforcement and the judiciary to take action on financial crimes often conflict with established, traditional processes, which can delay compliance with international standards.

Corruption permeates all levels of Afghan government and society and has a direct impact on the willingness of authorities to investigate financial crimes. Afghanistan ranked 180 out of 182 countries surveyed in Transparency International's 2011 Corruption Perception Index. Afghanistan's laws related to terrorist financing are not in line with international standards and do not criminalize the full scope of the terrorist financing offense.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 417 from January to October 2011

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

STR covered entities: Financial institutions and money service businesses including informal funds transfer providers such as hawaladars

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: 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. Its most recent mutual evaluation can be found here:

<http://www.apgml.org/documents/docs/17/Afghanistan%20-%20published%20DAR.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Money laundering and terrorist financing investigations in Afghanistan are hampered by a lack of political commitment by the Government of Afghanistan (GOA), and the limited capacity of the regulatory regime and criminal justice system.

Less than 5% of the Afghan population uses banks, depending instead on the entrenched hawala system, which provides a range of financial and non-financial business services in local, regional, and international markets. Approximately 90% of financial transactions run through the hawala system, including foreign exchange transactions, funds transfers, micro and trade finance, as well as some deposit-taking activities. While the hawala system and formal financial sector are distinct, hawaladars often keep accounts at banks and use wire transfer services to settle their balances with other hawaladars abroad. Due to limited bank branch networks, banks occasionally use hawaladars to transmit funds to hard-to-reach areas within Afghanistan. Licensed hawaladars and other money service providers submit few STRs, which does not reflect their exposure to the risk of exploitation by money launderers and terrorist financiers. The GOA should create an outreach program to notify and educate hawaladars about the licensing and STR filing processes.

Border security continues to be a major challenge throughout Afghanistan, with only 14 official border crossings under central government control. Most border areas are under-policed or not policed at all, and are particularly susceptible to cross-border trafficking, trade-based money laundering, and bulk cash smuggling. Kabul International Airport lacks stringent inspection controls for all passengers, and includes a VIP lane that does not require subjects to undergo any inspections or controls. The GOA should strengthen inspection controls for airport passengers.

Corruption continues to be an obstacle in the Customs service, although some improvements have been made with assistance from international partners. Approximately \$1 billion a year of declared cash flows

Money Laundering and Financial Crimes

from Afghanistan into Gulf countries, with Dubai cited as the primary destination. The declared cash leaving Afghanistan, primarily from Kabul International Airport, exceeds Afghanistan's official revenue of about \$900 million.

The GOA has no formal extradition or mutual legal assistance arrangements with the United States. Requests for extradition and mutual legal assistance are processed on an ad hoc basis, with assistance from the Afghan Attorney General's Office. Newly drafted extradition-related legislation is currently pending before the upper house of the Afghan parliament.

The GOA lacks a comprehensive structure for maintaining administrative freezes on seized terrorist assets, and there is no mechanism for asset sharing. The GOA should revise its asset seizure process to ensure its ability to seize and freeze terrorist assets, maintain these asset freezes, and establish a procedure for sharing seized assets with foreign partners. The GOA should increase the capacity of enforcement officers, prosecutors, and judges to provide them a better understanding of the basis for seizing and forfeiting assets.

Albania

Albania is not an important regional financial or offshore center; however, as a transit country for trafficking in narcotics, arms, contraband, and humans, Albania remains at significant risk for money laundering. Criminal organizations take advantage of corruption and a weak legal system, with real estate and business development projects being the most popular laundering methods. Albania has a significant black market for certain smuggled goods, mainly tobacco, jewelry, stolen cars, and mobile phones, due to its high level of consumer imports and weak customs controls. Drug traffickers utilize Albania as a transit country and Albanian organized crime groups are known to be involved in European heroin markets. Organized crime groups use Albania as a base of operations for conducting criminal activities in other countries and often return their illicit gains to Albania. The proceeds from these activities are easily laundered in Albania because it is still fundamentally a cash economy and money flows from abroad in the form of remittances are common. Terrorist financing also appears to be a threat in Albania, as during the last decade government officials have taken action in several cases involving individuals and non-profit organizations suspected of financing terrorist activities.

In 2011, the Government of Albania did not appear to make significant improvements in the fight against money laundering, as evidenced by the low number of prosecutions and convictions. Research conducted by the European Commission and other international observers report that corruption in Albania is prevalent in many sectors, including the judiciary; that no steps have been taken to combat judicial corruption (including by limiting or abolishing the immunity of judges); and that corruption plays a major role in the inability of the Albanian government to successfully prosecute criminal activity.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, agricultural credit institutions, life insurance companies, money exchangers, accountants, notaries, lawyers, gaming centers, casinos, auto dealers, postal services, securities dealers, real estate agents and travel agencies

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 1,620 from January to November 2011

Number of CTRs received and time frame: 721,828 from January to November 2011

STR covered entities: Commercial banks; non-banking financial institutions; foreign exchange offices; savings/credit companies and their unions; postal services that perform payment services; issuers or managers of debit and credit cards, checks, traveller's checks, payment orders, electronic money, or other similar instruments; stock markets and securities agents and brokers; life insurance or re-insurance companies, agents or intermediaries; pension funds; the State Authority Responsible for the Administration and Sale of Public Property and property transfer agents; games of chance, casinos and hippodromes of any form; lawyers, notaries and other legal representatives; real estate agents and appraisers; accountants and financial consultants; and the Agency of Legalisation, Urbanisation and the Integration of Informal Constructions/Zones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Seven from January to December 2011

Convictions: Two from January to December 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

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

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Albania_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Albanian court system applies a difficult burden of proof in money laundering cases. Some, but not all, courts require a simultaneous conviction for the predicate offense before issuing a conviction for money laundering. The Supreme Court has not issued a unified decision, so the law in this area remains in flux. Currently, no law criminalizes negligence by financial institutions in money laundering cases.

The Bank of Albania has established a task force to confirm banks' compliance with customer verification rules. It is the responsibility of the licensing authority to supervise intermediaries for compliance. Although regulations also cover nonbank financial institutions, enforcement remains poor in practice. There is an increasing number of STRs coming from banks as that sector matures. A large number of STRs continues to come from tax and customs authorities and foreign counterparts.

Individuals must report to customs authorities all cross-border transactions that exceed approximately \$10,000. Albania provides declaration forms at border crossing points; however, customs controls on cross-border transactions lack effectiveness due to a lack of resources, poor training and corruption of customs officials.

Money Laundering and Financial Crimes

The Joint Investigative Unit to Fight Economic Crime and Corruption (JIU) in the Tirana District Prosecution Office focuses efforts and builds expertise in the investigation and prosecution of financial crimes and corruption cases by bringing together members of the General Prosecutors Office, the Albanian State Police Financial Crimes Sector, the Ministry of Finance's Customs Service and Tax Police, and the National Intelligence Service. The JIU also has liaisons for cooperation from the FIU, High State Audit, and the High Inspectorate for the Declaration and Audit of Assets. The JIU prosecutes money laundering cases within the District of Tirana. Six additional regional JIUs are in operation and have similar missions. These units have jurisdiction over corruption, money laundering, and other types of economic crime.

Despite efforts to improve Albania's capacity to deal with financial crimes and money laundering, Albania's AML/CFT regime is plagued by numerous technical deficiencies. The lack of positive results and apparent inability of government officials to adequately address these deficiencies continue to hamper progress.

Algeria

The extent of money laundering through formal financial institutions in Algeria is thought to be minimal due to stringent exchange control regulations and an antiquated banking sector. The partial convertibility of the Algerian dinar enables the Banque d'Algérie (Algeria's Central Bank) to monitor all international financial operations carried out by public and private banking institutions. Notable criminal activity includes trafficking, particularly of drugs and cigarettes, but also arms; kidnapping; theft; trafficking in stolen vehicles; extortion; and embezzlement. Public corruption remains a major concern as does terrorism. Algerian authorities are increasingly concerned with cases of customs fraud and trade-based money laundering. Other risk areas for financial crimes include unregulated alternative remittance and currency exchange systems; tax evasion; abuse of real estate transactions; commercial invoice fraud; and a cash-based economy. Most money laundering is believed to occur primarily outside the formal financial system, given the large percentage of financial transactions occurring in the informal gray and black economies. Al-Qaida in the Islamic Maghreb, which originated in Algeria, has a history of terrorist activities in Algiers and elsewhere in the country, including suicide attacks, kidnappings for ransom, roadside bomb attacks, and assassinations.

For more information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks, financial leasing institutions, investment and shareholding companies

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 600 from January - June 2011

Money Laundering and Financial Crimes

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, financial leasing institutions, investment and shareholding companies, the post office, insurance companies, gaming establishments, investment houses, exchange offices, attorneys and notaries, accountants, real estate agents, customs agents, public officers (translators, judicial officers, auctioneers, receivers) and dealers of gems, precious metals, antiques and artwork

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdiction: YES

Algeria 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/TopicList.asp?cType=train>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Algeria has taken many steps to enhance its statutory regime against money laundering and terrorist financing. It needs to move forward to implement those laws and eliminate bureaucratic barriers among various government agencies. However, deficiencies remain that must be addressed, particularly in the coverage of know-your-customer and compliance programs.

Algeria has developed an action plan to address deficiencies noted by international experts. The plan addresses adequately criminalizing terrorist financing; establishing and implementing an adequate legal framework for identifying, tracing, and freezing terrorist assets; improving and broadening CDD measures; ensuring a fully operational and effectively functioning financial intelligence unit; and enacting and implementing appropriate mutual legal assistance legislation.

The Algerian authorities should promote interagency cooperation among all stakeholders. The Algerian Financial Intelligence Processing Cell (CTRF), the financial intelligence unit, should be the focal point for receiving and analyzing reports, and information exchange of suspicious transactions related to anti-money laundering/counter-terrorist financing activity (AML/CFT). The CTRF has expressed the desire to develop in-house analytical and information technology capabilities, and should do so by increasing its staff, particularly analysts, and ensure they are equipped with the training and tools to effectively provide that analysis. The CTRF should continue outreach to the formal and informal financial sectors and continue efforts to comport with international standards. In addition, given the scope of Algeria's informal economy, new efforts should be made to identify value transfer mechanisms not covered in Algeria's AML/CFT legal and regulatory framework. Algerian law enforcement and customs authorities should enhance their ability to investigate trade-based money laundering, value transfer, and bulk cash smuggling used for financing terrorism and other illicit financial activities.

Andorra

Andorra is not a regional financial center but it has a well developed financial infrastructure. The non-financial crime rate is low in Andorra with few instances of drug-related offenses or other serious crimes.

Money Laundering and 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: List approach

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, leasing, and factoring firms; asset, mutual fund and risk capital management firms; exchange houses; financial advisors and intermediaries; insurance companies; lawyers, notaries, accountants and tax advisors; dealers of precious metals and stones; real estate agents; and bingo establishments

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks, leasing, and factoring firms; asset, mutual fund and risk capital management firms; exchange houses; financial advisors and intermediaries; insurance companies, accountants and tax advisors; real estate agents; notaries and other legal professionals; bingo establishments; and dealers in precious stones and metals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Andorra is a member of the 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/Andorra_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Andorra (GOA) should continue to loosen its bank secrecy laws and make its banking system more transparent. The GOA should become a party to the UN Convention against Corruption.

Angola

Angola is not a regional financial center. It does not produce large quantities of narcotics but continues to be a transit point for drug trafficking, particularly for drugs brought in from Brazil and South America destined for Europe. Angola's borders are porous and vulnerable to trafficking in small arms, diamonds, and humans, and general smuggling. Angola has a high rate of U.S. dollar cash flow. The laundering of funds derived from widespread corruption is a concern.

Money Laundering and 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: List approach

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Financial and credit institutions, financial groups, insurers, stock markets, casinos, currency exchange agencies, services for the issuance and management of paychecks, pension fund managers, individual and collective estate management groups, accountants, auditors, notaries, registrars, attorneys, solicitors and other independent professionals

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Credit institutions, financial groups, insurers, pension fund management groups, stock markets, casinos, currency exchange agencies, services for the issuance and management of paychecks, individual and collective estate management groups, accountants, auditors, notaries, registrars, attorneys, solicitors and other independent professionals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: NO

With other governments/jurisdictions: YES

In April 2011, Angola was granted observer status by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG).

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2010, Angola developed an action plan and made a political commitment to address noted anti-money laundering/counter-terrorist finance (AML/CFT) deficiencies. Specifically, Angola needs to adequately criminalize money laundering and terrorist financing; ensure a fully operational and effectively functioning financial intelligence unit (FIU); and establish and implement an adequate legal framework for identifying, tracing and freezing terrorist assets. In November 2011, the Angolan National Assembly amended the 2010 AML/CFT law to address the identified deficiencies. Angola’s FIU was established in May 2011 with international donor assistance and has initially focused on educating its reporting entities on reporting requirements.

Domestic PEPs residing outside Angola are subject to enhanced due diligence requirements.

In November 2011, the Angolan FIU signed a memorandum of understanding with the South African FIU to share information related to financial crimes, money laundering and terrorist financing.

Money Laundering and Financial Crimes

Angola's capacity and expertise to investigate financial crimes is limited. Widespread corruption also hampers the ability to enforce the AML/CFT law.

Anguilla

Anguilla is a United Kingdom (UK) overseas territory with a population of approximately 15,000. There are very few offenses committed on the island by the local populace that generate substantial monies or profits from crime. The economy depends heavily on luxury tourism, offshore banking, lobster fishing, and remittances from emigrants. Increased activity in the tourism industry has spurred the growth of the construction sector.

The financial sector is small in comparison to other jurisdictions in the Caribbean, but the ability to register companies online and the use of bearer shares make Anguilla vulnerable to money laundering. The biggest perceived money laundering threat in the coming years will continue to come from abuses of the offshore industry in relation to mutual funds, trusts, and international business companies (IBCs). Anguilla has seven licensed banks, 291 insurance companies and four other financial or credit institutions, collectively holding assets worth just over \$1 billion. Anguilla has over 10,000 IBCs, which are attracted by the online registration system and zero-tax regime.

Anguilla 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: Antigua and Barbuda, 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 the EC dollar is a primary vehicle 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.: 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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Domestic and offshore banks, money transfer agents, insurance companies, mutual funds and fund intermediaries, company managers and service providers, trusts, securities brokers and dealers, dealers in high-value goods and precious metals and stones, lawyers, accountants, notaries, and real estate agents

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 39 as of October 2011
Number of CTRs received and time frame: Not available
STR covered entities: Domestic and offshore banks, money transfer agents, insurance companies, mutual funds and fund intermediaries, company managers and service providers, trusts, securities brokers and dealers, dealers in high-value goods and precious metals and stones, lawyers, accountants, notaries, and real estate agents

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 26 in 2011

Convictions: Three in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Anguilla 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/Anguilla_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Anguilla_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While changes to the law prohibit anonymous accounts, Anguilla continues to seek offshore financial business, offering business and tax structures and company formation which allow some degree of anonymity. IBCs can be incorporated by company service providers in Anguilla without the requirement to publicly register shareholders or directors. Once incorporated, an IBC is capable of holding assets and operating bank accounts, both on Anguilla and in other jurisdictions. There have been cases where IBCs were used as “flow through” accounts, facilitating the mingling of monies, confusing money trails and generally assisting the layering process in money laundering; there has only been one instance where the money from suspected IBC abuse has remained in Anguilla. IBC abuse remains responsible for a significant proportion of suspicious activity reports.

Anguilla record keeping requirements do not meet international standards. Requirements to retain records of accounts are not uniform across different types of companies and accounts, and there is no requirement to keep underlying documentation, or to maintain records for five years.

Anguilla 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 Anguilla’s international affairs and may arrange for the ratification of any convention to be extended to Anguilla. The 1988 Drug Convention was extended to Anguilla in 1995.

In April 2011, Anguilla’s Executive Council agreed in principle to extend the UN Convention against Corruption to Anguilla and requested a legislative analysis to ascertain the changes necessary to implement the Convention. 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 Anguilla.

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 Eastern 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 2011, Antigua and Barbuda has 15 international banks, two international trusts, 27 offshore insurance companies, 3,497 international business corporations (IBCs), ten interactive gaming companies, six interactive wagering companies, six money services businesses, and 22 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 natural persons), the activities the corporation intends to conduct, the names of shareholders, and the numbers 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 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 (FTZ) 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 FTZ are supervised by Antigua and Barbuda's Office of National Drug and Money Laundering Control Policy (ONDCP), and the Directorate of Offshore Gaming.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* YES
KYC covered entities: Banks, agricultural credit institutions, money exchangers, accountants, notaries, gaming centers, auto dealers and securities dealers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 93 in 2011
Number of CTRs received and time frame: 48 in 2011
STR covered entities: Banks, agricultural credit institutions, money exchangers, notaries, gaming centers, and securities dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two in 2011
Convictions: None in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES
With other governments/jurisdictions: YES

Antigua and Barbuda is a member of 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

The Government of Antigua and Barbuda (GOAB) has taken steps to combat money laundering and terrorist financing by passing relevant legislation that applies to both domestic and offshore financial institutions, and establishing a regulatory regime. The GOAB also should implement and enforce all provisions of its AML/CFT legislation, including the comprehensive supervision of its offshore sector and gaming industry. 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.

Internet gaming companies are required to report all payouts over \$25,000 to the ONDCP. They also 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.

In 2011, the Supervisory Authority more vigorously exercised its supervisory powers in relation to money remitters, having imposed administrative sanctions for inadequate implementation of AML/CFT due diligence measures, source of funds accountability and failure to provide statutorily required reports. The Supervisory Authority also initiated comprehensive onsite examinations of financial institutions and designated non-financial businesses and professions, including entities engaged in real property business and car dealerships.

The GOAB says it has a "poor understanding" of certain foreign cash transactions taking place within the jurisdiction that have raised their concerns. The possibility exists that they could be an indication of proceeds from human trafficking. Separately, the police have instituted criminal charges for prostitution-related human trafficking and have traced alleged proceeds to accounts held in the domestic banking sector, and also suspect repatriation of proceeds through money remitters.

Argentina

Argentine and international observers express the concern that money laundering related to narcotics trafficking, corruption, contraband, and tax evasion occurs throughout the financial system. It is also believed that most money laundering operations in Argentina are conducted through transactions involving specific offshore centers. The most common money laundering operations in the non-financial sector involve transactions made through attorneys, accountants, corporate structures, and in the real estate sector. The widespread use of cash in the economy also leaves Argentina vulnerable to money laundering. Tax evasion is the predicate crime in the majority of Argentine money laundering investigations.

Argentina has a long history of capital flight and tax evasion, and it is estimated that Argentines hold billions of dollars outside the formal financial system, both offshore and in-country, much of it legitimately earned money that was not taxed. The general vulnerabilities in the system also expose Argentina to a risk of terrorist financing. Despite these risks associated with money laundering and terrorist financing (ML/TF), there have been only two convictions for ML and only five prosecutions are ongoing.

Argentina is a source country for precursor chemicals and a transit country for cocaine produced in Bolivia, Peru, and Colombia, and for marijuana produced in Paraguay. While most of the cocaine transiting Argentina is bound for the European market, virtually all of the marijuana is for domestic or regional consumption, and domestic drug consumption and production have increased. Argentine

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officials also have identified smuggling, corruption and different types of fraud as major sources of illegal proceeds.

In addition to tax evasion and drugs, a substantial portion of illicit revenue comes from black market peso exchanges or informal value transfers. Informal value transfers occur when unregistered importers, for example, use entities that move U.S. currency in bulk to neighboring countries where it is deposited and wired to U.S. accounts or to offshore destinations. Products from the U.S. are often smuggled into Argentina, or the shipping manifests are changed to disguise the importer and merchandise. The tri-border area (Argentina, Paraguay and Brazil) is considered a major source of smuggling, especially of pirated products. Through the Three Plus One Initiative, the Government of Argentina (GOA) authorities ostensibly cooperate with the two neighboring countries, as well as with the United States, to address security issues in this region; however, this mechanism has been largely ineffective in recent years due to GOA and USG political differences, among other reasons.

The Financial Action Task Force's (FATF) third-round mutual evaluation report of Argentina found Argentina partially compliant or non-compliant with 46 of the 49 FATF Recommendations. Argentina is subject to an enhanced follow-up procedure during which Argentina is expected to immediately address deficiencies relating to its criminalization of both money laundering and terrorist financing. Argentina is also publicly identified by the FATF for its strategic AML/CFT deficiencies, which Argentina has developed an action plan to address. The FATF expects Argentina to urgently address these deficiencies, and while some progress has been made, significant AML/CFT deficiencies remain.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER RULES:

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

KYC Covered entities: Banks, financial companies, credit unions, tax authority, customs, currency exchange houses, casinos, securities dealers, insurance companies, accountants, notaries public, dealers in art and antiques, jewelers, real estate registries, money remitters, and postal services

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Number of STRs received and time frame: 3,169 in 2010

Number of CTRs received and time frame: Not available

STR Covered entities: Banks, financial companies, credit unions, tax authority, customs, currency exchange houses, casinos, securities dealers, insurance companies, accountants, notaries public, dealers in art and antiques, jewelers, real estate registries, money remitters and postal services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Five (ongoing)

Convictions: Two - in December 2010 and June 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES

With other governments/jurisdiction: YES

Argentina is a member of the Financial Action Task Force (FATF) and the Financial Action Task Force against Money Laundering in South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/3/60/46695047.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On June 21, 2011, Argentina passed Law 26683, which amends Law 25246, to modify the criminalization of ML as well as to implement other AML/CFT measures. While the new law addresses a number of important shortcomings, particularly with respect to the criminalization of ML, a large number of other previously identified deficiencies persist. Some of the key features of the June 2011 law include: new measures criminalizing ML as a stand-alone crime; provisions for confiscation of assets without conviction for ML or TF; provisions to allow a judge to suspend an arrest warrant or the seizure of instruments or effects, or postpone the adoption of other restraining or evidentiary measures in the context of a ML/TF investigation; broadening of the predicate offenses which the FIU is authorized to handle and disseminate; removing previous tax secrecy restrictions in the framework of an STR; increasing the entities covered by preventive measures, including mutual associations, cooperatives, and the real state sector; incorporating more detailed customer due diligence (CDD) and record keeping measures; improving record-keeping measures with a requirement that all CDD data be kept for at least five years and properly recorded for reconstruction purposes; and incorporating the FIU's role (previously in Decree 1936/2010) to establish supervision, control, and on-site inspection procedures to verify compliance with the law, and guidelines and instructions issued pursuant to the law.

Notwithstanding these improvements, technical deficiencies and challenges still remain in closing legal and regulatory loopholes and improving interagency cooperation. Most significantly, there is a general lack of prosecutions and penalties actually imposed for the offense of ML. Moreover, although financial regulators are empowered to audit and conduct on-site inspections, there are too few trained people with the expertise to carry them out rigorously.

In 2007, Argentina passed Law 26268 which criminalizes terrorist associations and the financing of these associations; however, the law is not in accordance with international standards. In October 2011, the executive branch presented a draft bill to the Congress which aims to modify the existing law to meet internationally accepted standards for countering the financing of terrorism. On December 22, 2011, the law was passed.

In November 2011, the GOA published resolution 388/2011 announcing the creation of a new Financial Intelligence Unit (FIU) within AFIP, the government's federal tax agency. The creation of the FIU follows the implementation of a series of comprehensive government measures to monitor and control the FX market and stem capital flight. The new FIU's objectives are to monitor foreign currency transactions (FX) and to investigate infractions under the government's new foreign exchange restrictions. The resolution also notes that the new FIU will monitor and investigate the trading of stocks, bonds and other assets, as well as monitor all types of bank credit and loan transactions. It is presumed AFIP's new FIU will focus primarily on investigating FX transactions in order to reduce capital flight, which has been eroding Central Bank reserves. The FIU also is tasked with investigating criminal transactions related to money laundering and the financing of terrorism (ML/FT), although it is unclear how the new FIU will interface with the already existing Financial Intelligence Unit (UIF) within the Ministry of Justice, which has traditionally been responsible for probing financial crimes.

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In 2009, FinCEN suspended information sharing with the UIF after information given to the UIF was leaked to the local press. The UIF and Argentine government are working to reestablish the exchange of data.

To more fully meet international standards, Argentina's continuing priorities should be to address its systemic AML/CFT deficiencies, including by: implementing the new ML and TF offenses; establishing and implementing adequate procedures for the confiscation of funds related to money laundering, and identifying and freezing terrorist assets; enhancing financial transparency; ensuring a fully operational and effectively functioning FIU; improving and broadening CDD measures for non-banking and non-foreign exchange sectors, establishing appropriate channels for international co-operation; the effective sanctioning of officials and institutions that fail to comply with the requirements of the law; the pursuit of training programs for all levels of the financial, criminal justice, and judicial systems; and the provision of the necessary resources and incentives to financial regulators and law enforcement authorities to carry out their missions. There is also a need for increased public awareness of the problem of money laundering and its connection to narcotics, corruption, and terrorism.

Armenia

Armenia is not a regional financial center and is not believed to be at major risk for money laundering and terrorist financing. However, governmental corruption, an organized crime presence and a large shadow economy make the country vulnerable. The major sources of laundered proceeds stem from theft, tax evasion and fraudulent financial activity, particularly transactions with forged credit cards. Money laundering in Armenia generally takes place through the banking system, through informal remittances from Armenians living abroad, and through high-value transactions such as real estate purchases.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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 civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, credit bureaus, and exchange houses; real estate agents; notaries, lawyers, accountants, and auditors; dealers in artwork and precious metals and stones; organizers of auctions; casinos, lotteries, and internet gaming; trust and company service providers; the State Cadaster and the State Registry

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 162 from January to November 2011

Number of CTRs received and time frame: 122,416 from January to November 2011

STR covered entities: Banks, credit unions, and exchange houses; real estate agents; notaries, lawyers, accountants, and auditors; dealers in artwork and precious metals and stones; organizers of

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auctions; casinos, lotteries, and internet gaming; trust and company service providers; the State Cadaster and the State Registry

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Four from January to November 2011

Convictions: Two from January to November 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Armenia is a member of the 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/Armenia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Armenia followed its first successful money laundering prosecutions in 2009 with additional prosecutions in 2010 and 2011.

There have been no known cases of terrorist financing in Armenia.

Armenia should criminalize tipping off.

Aruba

Aruba is not considered a regional financial center. Because of its location, Aruba is a transshipment point for drugs from South America bound for the United States and Europe and the transshipment of currency in the opposite direction. Money laundering is primarily related to proceeds from illegal narcotics by domestic and foreign criminal organizations. There is no significant black market for smuggled goods in Aruba. A few cases of trade-based money laundering have been discovered and prosecuted. These cases were not tied to terrorist financing activities. Bulk cash smuggling represents a risk due to the close proximity of Aruba to South America.

Aruba has three free economic zones. It is believed “contrabanding” (using smuggled bulk cash to buy products which are shipped to South America and sold) could be a problem. There are at least 11 casinos, and online gaming is allowed. Bearer shares were eliminated with the introduction of a new ordinance in June 2011.

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:*** Not available

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, life insurance companies, money transfer companies, investment companies, trust and company services providers, casinos, lawyers, civil notaries, accountants, tax advisors, realtors, dealers in precious metals and stones, and dealers in high value objects

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 5,277 from January – November 2011

Number of CTRs received and time frame: Not available

STR covered entities: Banks, life insurance companies, money transfer companies, lawyers, civil notaries, accountants, tax advisors, casinos, dealers in jewels and precious metals, realtors, and dealers in art, antiques, vehicles, aircraft and ships

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 29 September 2010 – May 2011

Convictions: 12 September 2010 – May 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Aruba 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.fatf-gafi.org/dataoecd/43/56/43988459.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Aruba's money laundering laws do not cover proceeds generated from counterfeiting and piracy of products, insider trading and market manipulation, many types of environmental crimes, or fraud. Aruba does not have a suspicious transactions reporting system, but a broader unusual transactions reporting system.

Aruba introduced a new AML/CFT State Ordinance on June 1, 2011 which contains improved rules for customer due diligence, unusual transaction reporting, record keeping, supervision, enforcement, and information exchange for AML/CFT purposes. The Ordinance also requires wire transfers to have originator information. The Aruba Central Bank introduced a revised AML/CFT handbook to explain the new ordinance for supervised financial institutions and trust company service providers. Additional information was required with regard to the fit and proper testing of key persons (shareholders and policy makers) of regulated entities.

On April 26, 2011, the Minister of Justice approved a mechanism relating to the listing and delisting of persons and organizations in connection with anti-terrorist freezing measures taken by the competent authorities in Aruba.

The Kingdom of the Netherlands, of which Aruba is an autonomous constituent part, extended the application to Aruba of the 1988 UN Drug Convention in 1999; the UN International Convention for the Suppression of the Financing of Terrorism in 2005; and the UN Convention against Transnational Organized Crime in 2007. The Kingdom has not yet extended the application of the UN Convention against Corruption to Aruba.

Australia

Australia is a regional financial center. The majority of illegal proceeds are derived from fraud-related offenses, though narcotics offenses provide a substantial source of crime proceeds. The Government of Australia (GOA) maintains a comprehensive system to detect, prevent, and prosecute money laundering. Australian law enforcement agencies investigate an increasing number of cases that directly involve offenses committed overseas. Continuous consultation between government agencies and the private sector enables Australia to identify and address new money laundering and terrorist financing risks.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC 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 in currency on behalf of other persons; currency couriers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 44,775 from January 2010 to October 2011
Number of CTRs received and time frame: 30,342 from January 2010 to October 2011
STR 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 in currency on behalf of other persons; currency couriers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 224 from January 2010 to October 2011
Convictions: 104 from January 2010 to October 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other:*** YES
With other governments/jurisdictions: YES

Australia is a member of the Financial Action Task Force (FATF) and of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body (FSRB). 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:

Australia has a robust regime to detect and deter money laundering and terrorism financing. The *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) provides the legal framework and establishes obligations. The Attorney-General's Department is the policy agency responsible for the AML/CTF Act. The Australian Transaction Reports and Analysis Centre (AUSTRAC) administers the Act, is Australia's financial intelligence unit and also the country's anti-money laundering regulator.

As of November 2011, the GOA extended its AML/CFT regulation to cover non-financial businesses and professions such as lawyers, accountants, jewelers, and real estate agents. 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.

Third-party deposits, which can be used as vehicles to facilitate money laundering, are legal in Australia. However, authorities are working to limit the associated risks in Australia's financial system. On October 1, 2011, additional AML/CFT provisions came into effect, which require banking institutions to identify third parties undertaking transactions of \$10,000 or more. This obligation is in addition to reporting the details of the account holder involved in the transaction, and builds on existing customer due diligence and STR obligations.

The Australian government recently established a new Criminal Assets Confiscation Taskforce, which brings together agencies with key roles in the investigation and litigation of proceeds of crime matters, to enhance the identification of potential asset confiscation matters and strengthen their pursuit.

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 conviction and investigation statistics. Austria is not an offshore jurisdiction and has no free trade zones.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks and credit institutions, financial institutions, leasing and exchange businesses, safe custody services, portfolio advisers, brokers, securities firms, money transmitters,

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insurance companies and intermediaries, casinos, all dealers including those in high value goods, auctioneers, real estate agents, lawyers, notaries, certified public accountants, and auditors

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 2,211 in 2010

Number of CTRs received and time frame: Not applicable

STR 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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 582 in 2010

Convictions: Six in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* 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:

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 standards.

Asset freezing authority applies to all economic resources including financial funds, real estate, companies, and vehicles. On March 15, 2011, a bilateral asset sharing agreement between the United States and Austria to share assets seized from convicted criminals went into effect.

On July 7, 2011, Parliament adopted an amendment to the Stock Corporation Act, which went into effect August 1, 2011 and sharply restricts the issuance and use of bearer shares. The new legislation eliminates bearer shares for all companies except those listed on a recognized stock exchange.

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.

Azerbaijan

Throughout the past decade, Azerbaijan has undergone rapid economic development and implemented notable economic reforms. While Azerbaijan is focused on the need for economic diversification, the energy sector generated almost half of Azerbaijan’s gross domestic product in 2011. All other sectors lag energy in growth and sophistication, including the financial sector. This gap – coupled with Azerbaijan’s shared history, long-standing trade relationships, and common border with Iran – makes Azerbaijan’s financial institutions vulnerable to being used by foreign entities looking to conduct money laundering and terrorist financing transactions involving Iran.

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A major source of criminal proceeds in Azerbaijan is endemic corruption, which cuts across all sectors of the economy and all layers of society. International reports also identify Azerbaijan as a transit country for the Afghan drug trade; Azerbaijani authorities suspect this illicit drug trade generates a significant amount of illicit funds. Other generators of illicit funds include robbery, tax evasion, smuggling, trafficking and organized crime. Money laundering likely occurs in the formal financial sector, non-bank financial systems, alternative remittance systems and the construction industry. The FMS has attempted to address these problems by discouraging cash-based transactions, educating banks in Azerbaijan about their reporting requirements for suspicious transactions and seeking to combat the illegal flow of narcotics through Azerbaijan to markets in Europe and Russia.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks; insurance and reinsurance companies, and intermediaries; notaries, lawyers and auditors; company formation agents and asset managers; real estate brokers and agents; pawnshops; securities brokers and investment funds; lotteries; the National Post; non-governmental organizations

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 10,874 from January 1 to July 1, 2011
Number of CTRs received and time frame: 97,862 from January 1 to July 1, 2011
STR covered entities: Banks, money remitters; insurance and reinsurance companies, and intermediaries; securities brokers and investment funds; leasing companies; company formation agents and asset managers; lawyers and auditors; company formation agents and asset managers; real estate brokers and agents; lotteries; dealers of precious metals and stones; pawnshops; non-governmental organizations

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Five from January 1 to October 1, 2011
Convictions: One in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES
With other governments/jurisdictions: YES

Azerbaijan is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering 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/Azerbaijan_en.asp

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ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The AML law excludes travel agencies, auto dealers, and dealers of art, antiquities, and other high-value consumer goods from the list of covered entities. Accordingly, these entities are not required to maintain customer information or report suspicious activity.

In 2011, Azerbaijan made progress in increasing its ability to address money laundering/terrorist financing vulnerabilities by strengthening its Financial Monitoring Service (FMS), Azerbaijan's financial intelligence unit (FIU), and implementing new regulations in line with international standards. It is in the process of building a database and expertise. Currently, inadequate interagency cooperation and training significantly diminish its investigative abilities. The FMS has concluded information exchange agreements with a number of regional FIUs. In 2011, the FMS became a member of the Egmont Group.

Intergovernmental discussions of draft amendments to the criminal code and code of criminal procedure recently were finalized. In particular, the draft amendments include corporate criminal liability in relation to money laundering and terrorist financing offenses, and special confiscation procedures with an all crimes approach, which will make it possible to confiscate proceeds for all forms of offenses.

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 (IBCs) registered in the offshore financial sector. Drug traffickers and other criminal organizations take advantage of the large number of IBCs and offshore banks registered in The Bahamas to launder significant sums of money despite strict know-your-customer (KYC) and transaction reporting requirements.

The country has one large free trade zone, Freeport Harbor. This zone is managed by a private entity, 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, the parastatal regulatory agency). Businesses at the harbor include private boat, ferry and cruise ship visits, roll-on/roll-off facilities for containerized 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 located on Grand Bahama and New Providence Islands.

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.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crime: List approach
Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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KYC 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

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 45 in 2010

Number of CTRs received and time frame: Not available

STR 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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** 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-gafic.org/downloadables/mer/The_Bahamas_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.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; criminalizing participation in an organized criminal group; tightening the currency transaction reporting system; 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.

Bahrain

Bahrain is a leading financial center in the Gulf region. In contrast with its Gulf Cooperation Council (GCC) neighbors, Bahrain has a primarily service-based economy, with the financial sector providing more than 20% of GDP. It hosts a diverse group of financial institutions, including 152 banks, 38 money changers and money brokers, and several other investment institutions, including 88 insurance companies. The greatest risk of money laundering stems from illicit foreign proceeds that transit the country. The vast network of Bahrain's banking system, along with its geographical location in the Middle East, as a transit point along the Gulf and into Southwest Asia, may attract money laundering activities. Bahrain does not have a significant black market of smuggled goods or known linkages to drug trafficking.

Bahrain hosts the largest concentration of Islamic financial institutions in the Middle East. There are 26 Islamic banks and 19 Islamic insurance companies (takaful) operating in the Kingdom.

Money Laundering and Financial Crimes

Khalifa bin Salman Port, Bahrain's major port, provides a free transit zone to facilitate the duty-free import of equipment and machinery. Another free zone is located in the North Sitra Industrial Estate. Raw materials intended for processing in Bahrain, and machinery imported by Bahraini-owned firms, are also exempt from duty; the imported goods may be stored duty-free.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks and all other financial institutions, investment houses, insurance firms, money exchangers, brokers/dealers, real estate brokers, gold dealers, financial intermediaries, and attorneys

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks and all other financial institutions, investment houses, insurance firms, money exchangers, brokers/dealers, real estate brokers, gold dealers, automotive dealers, financial intermediaries, attorneys, auction houses, and art galleries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None in 2011
Convictions: None in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Bahrain 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/Linkcounter.asp?rid=656&attached=MutualEvaluationReportOfBahrain.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

There is little awareness of trade-based money laundering. The informal and non-bank financial sector are regulated and investigated similarly to the formal sector.

There is an over-reliance on suspicious transaction reporting to initiate money laundering investigations. Awareness within the capital markets and designated non-financial businesses and professions regarding

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STR reporting obligations is inconsistent. Cash transaction reporting is not separated from suspicious transaction reporting requirements. Tipping off is not prohibited.

Bangladesh

While Bangladesh is not a regional financial center, its geographic location-- including its seaports and long porous borders with India and Burma-- makes it a key transshipment point for drugs produced in both the 'golden triangle' and 'golden crescent' regions. In addition to drug trafficking, corruption and trafficking in persons are the principal sources of criminal proceeds for money laundering. Bangladesh also is vulnerable to terrorist financing, including terrorist financing flows through hawala/hundi systems and by cash courier. Bangladesh-based terrorist organization Jamaat ul-Mujahideen Bangladesh (JMB) has publicly claimed to receive funding from Saudi Arabia.

The Bangladeshi economy relies heavily on remittances from expatriate Bangladeshi workers. The Central Bank reports that remittances through official channels have increased steadily since 2002, rising to \$11.65 billion in FY2011, reportedly due to improved delivery time by commercial banks and to value-added services, such as group life insurance. According to the Central Bank, a larger share of remittances is now transmitted through the formal sector than through hawala/hundi. Nevertheless, while money transfers outside official channels are illegal, widespread use of the underground hawala/hundi system continues and black market money exchanges remain popular because of the non-convertibility of the local currency and intense scrutiny of foreign currency transactions made through official channels. Remittances by expatriate workers comprise the vast majority of hawala/hundi transactions, but hawala/hundi is also used to avoid taxes and customs duties and is exploited by criminals as a low-risk avenue to conceal the proceeds of crime. While the hundi system continues to be Bangladesh's principal money laundering vulnerability, non-governmental organizations (NGOs), charities, and counterfeiting are areas of increasing concern, especially with regard to terrorist financing.

In June 2011, the Government of Bangladesh (GOB) adopted a controversial tax amnesty plan aimed at encouraging investment in the capital markets. The amnesty could undermine Bangladesh's compliance with international AML/CFT standards (including the criminalization of money laundering, confiscation of the proceeds of crime, and cooperation between domestic competent authorities) and defeat its progress in strengthening its AML/CFT legal framework and implementation efforts. At the end of 2011, Bangladesh rescinded the problematic tax amnesty program, replacing it with another program that largely alleviates concerns.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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KYC covered entities: Banks, finance and investment companies, leasing companies, insurance companies, money changers, money remittance or transfer companies, stock dealers and brokers, portfolio managers, merchant banks, securities custodians, asset managers, non-profit organizations and NGOs

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 142 from July 2010 – June 2011

Number of CTRs received and time frame: 1.8 million from July 2010 – June 2011

STR covered entities: Banks, finance and investment companies, leasing companies, insurance companies, money changers, money remittance or transfer companies, stock dealers and brokers, portfolio managers, merchant banks, securities custodians, asset managers, non-profit organizations and NGOs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Four

Convictions: One

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** NO

With other governments/jurisdictions: YES

Bangladesh is a member of 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/Bangladesh%20ME2%20-%20final120809.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2011, Bangladesh made progress in implementing its 2010 national action plan, and the Government of Bangladesh (GOB) has demonstrated a strong policy level commitment to cooperate with international partners and strengthen its AML/CFT regime. The GOB drafted amendments to its AML/CFT legal framework (the Money Laundering Prevention Act and the Anti-Terrorism Act), which will be sent to the President's office and to Parliament. However, the amendments continue to have serious deficiencies, including failure to: criminalize money laundering so that it adequately covers concealment and disguise; criminalize terrorist financing so it applies to foreign as well as domestic terrorism; establish and implement a terrorist asset freezing mechanism that meets international standards; improve financial regulatory supervision; and strengthen the FIU's capacity, including the overall quality and depth of the analysis of financial intelligence. In addition to deficiencies in the AML/CFT legal framework, effective implementation remains a significant issue. The GOB should continue its work on the amendments, as well as implementing mechanisms, and should continue to improve investigation, prosecution, supervision, and enforcement capacity.

The GOB acknowledges that corruption is pervasive in Bangladesh, including in law enforcement, and has made combating corruption a national priority. The GOB has had some success in investigating and prosecuting clear-cut corruption cases. However, officials do not yet have sufficient training or experience to pursue complex cases involving both corruption and money laundering through foreign jurisdictions or multi-layered investment schemes. The GOB should build the capacity of its law enforcement and prosecutorial services and enhance training of investigators so they better understand the connections between corruption, money laundering, and related crimes.

The GOB should amend its legislation to prohibit "tipping off" and to provide a safe harbor for financial institutions and their employees who report suspicious activity to the GOB in good faith. Bangladesh

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should issue clear guidance to the capital market on its AML/CFT obligations, including STR reporting, related to the tax amnesty program. Additionally, Bangladesh should become a party to the UN Convention against Transnational Organized Crime.

Barbados

Barbados is a regional financial center with a large international business company (IBC) presence. The country is vulnerable to money laundering, which primarily occurs in the formal banking system. Money laundering in Barbados is primarily associated with the sale of illegal narcotics and the laundering of criminal proceeds from domestic activity. Some evidence suggests persons who have committed crimes abroad laundered some proceeds through financial institutions in Barbados.

International reporting calculated the banking and non-banking sectors have approximately \$25 billion in assets. There are nine commercial banks and holding companies, 13 trusts and merchant banks, and 45 international banks licensed by the Central Bank of Barbados. There are no clear statistics available on the IBC sector, although promotional material suggests there are over 4,000 IBCs as of October 2011. International experts have raised concerns about information sharing restrictions and its effect on supervision of this sector. IBCs are subject to enhanced due diligence requirements for license applications and renewals. Bearer shares are not permitted, and financial statements of IBCs are audited if total assets exceed \$500,000.

There are no free trade zones and no domestic or offshore 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: All serious crimes

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, securities and insurance brokers and companies, money exchanges or remitters, and financial management firms; lawyers, real estate brokers, high-value goods dealers and accountants; investment services or any other financial services; credit unions; building, restricted liability, and friendly societies; off-shore banks; IBCs and foreign sales corporations; mutual funds and fund administrators and managers; and international trusts

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 214 in 2011

Number of CTRs received and time frame: Not available

STR covered entities: Commercial and offshore banks and credit unions; money transmission services, investment services or any other financial services; credit unions; building, restricted and friendly societies; off-shore banks; IBCs and foreign sales corporations; mutual funds and fund administrators and managers; international trusts; real estate agents; dealers in precious metals and precious stones; lawyers, trust and company service providers; insurance companies, accountants, and finance companies

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MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Barbados 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/Barbados_3rd_Round_MER_%28Final%29_English.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

During the year, Barbados enacted laws on organized crime, corporate and trust service providers and a new anti-money laundering and terrorism financing bill. The new provisions increase the range of offenses for which the government can seek restraint and confiscation of illicit assets, including burglary, theft, and money laundering in addition to previous scheduled offenses of drug trafficking. However, it is too early to know the full effects of these bills.

The Government of Barbados (GOB) should be more aggressive in conducting examinations of the financial sector and maintaining strict control over vetting and licensing of offshore entities. The GOB should devote sufficient resources to ensure the FIU, law enforcement, supervisory agencies, and prosecutorial authorities are properly staffed and have the capacity to perform their duties. Barbados should consider the adoption of civil forfeiture and asset sharing legislation. Supervision of nonprofit organizations, charities, designated non-financial businesses and professions, and money transfer services should be strengthened, as should information sharing between regulatory and enforcement agencies. Finally, to further enhance its legal framework against money laundering, Barbados should move expeditiously to become party to the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

Belarus

There is a general lack of transparency and accountability throughout the Belarusian financial sector. Corruption and illegal narcotics trafficking are primary sources of illicit proceeds. Due to excessively high taxes, an intricate taxation system, underground markets, and the “dollarization” and “eurozation” of the economy, a significant volume of foreign-currency cash transactions eludes the banking system. Illicit proceeds and assets are sometimes laundered in Belarus through the sale of stolen cars using forged paperwork; depositing illicit funds into operating accounts of businesses in the form of contributions increasing authorized capital; the sale of illicitly acquired assets through retail networks; and the transfer of assets to balance sheets of front companies. The concentration of power in the hands of the Presidency and the lack of a system of checks and balances among the various branches of government are the greatest hindrances to the rule of law and transparency of governance. Economic decision-making in Belarus is highly concentrated within the top levels of government, and financial institutions have little autonomy.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks and non-bank financial credit institutions; professional operators of the securities market; persons engaged in exchange transactions, including commodity exchanges; insurance firms and insurance brokers; postal service operators; and property leasing firms

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks and non-bank financial credit institutions; professional operators of the securities market; persons engaged in exchange transactions, including commodity exchanges; insurance firms and insurance brokers; postal service operators; and property leasing firms

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: NO

With other governments/jurisdictions: YES

Belarus is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a Financial Action Task Force (FATF)-style regional body. Its mutual evaluation can be found here: <http://www.eurasiangroup.org/mers.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In April 2006, the United States issued an advisory to U.S. financial institutions, which remains in effect, alerting them to guard against a potential money laundering threat involving Belarusian government senior regime elements (including senior executives in state-owned enterprises) seeking to move misappropriated Belarusian state assets as well as proceeds from illicit arms sales to or through the U.S. financial system, either acting individually or through government agencies and associated front companies. In June 2006, the United States imposed targeted financial sanctions on Belarusian government senior regime elements. In addition, in April 2004, Infobank, Minsk (renamed PJSC Trustbank) was designated as being of primary money laundering concern under section 311 of the USA PATRIOT Act. In 2007, the United States imposed sanctions on the state petrochemical conglomerate, Belneftekhim, which U.S. officials believe is personally controlled by President Alexander Lukashenko. On August 11, 2011 the United States imposed additional, new economic sanctions against four major Belarusian state-owned enterprises. These four entities have been determined to be owned or controlled by the Belneftekhim conglomerate. The additional sanctions were in response to continued incarceration of political prisoners and crackdown on political activists, journalists and civil society representatives.

On December 19th, 2011, the European Union Council implemented Regulation (EU) No 1320/2011 relating to the asset-freezing measures directed by the Council of the European Union in respect of Belarus.

Money Laundering and Financial Crimes

The Government of Belarus (GOB) has taken steps to construct a legal and regulatory framework to fight money laundering and terrorist financing, including by strengthening basic customer due diligence (CDD) requirements, introducing special CDD procedures for politically exposed persons, and criminalizing insider trading. Despite these efforts, serious deficiencies remain, and in many instances, implementation falls below international standards.

The GOB sometimes uses the AML law as a political tool against its opposition rather than to fight economic crimes. Further enforcement problems are caused by inadequate training, staffing and funding of the relevant agencies, as well as poor national and international cooperation.

Belarus ranks 143 out of 183 countries surveyed in Transparency International's 2011 International Corruption Perception Index.

The GOB should take serious steps to combat corruption in commerce and government. The GOB also should take steps to ensure the AML/CFT framework operates more objectively and less as a political tool.

Belgium

Belgium's banking industry is medium size, with assets of over \$2 trillion dollars in 2010. Illicit funds primarily derive from serious forms of financial crime, including tax crime, and drug trafficking proceeds. Authorities note that criminals are increasing their use of remittance transactions and shell companies, and are relying primarily upon non-financial sectors, in particular lawyers, real estate entities and nonprofit organizations, to launder money. In 2010, the Cellule de Traitement des Informations Financieres (CTIF), Belgium's financial intelligence unit (FIU), also noted an increase in money laundering via "money mules" and internet scams as well as an increase in the number of cases involving fraud through the European carbon market. The Belgian diamond industry also has been used to launder money.

According to CTIF, most of the criminal proceeds laundered in Belgium are derived from foreign criminal activity. Belgium generally has very little public corruption that contributes to money laundering and none known related to terrorist financing. According to the 2010 CTIF annual report, contraband smuggling represents 7.3% of all cases while terrorist financing represents only 1.5%.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO
KYC covered entities: Banks, estate agents, private security firms, funds transporters, diamond merchants, notaries, bailiffs, auditors, chartered accountants, tax advisors, certified accountants, surveyors, lawyers and casinos

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 18,673 in 2010

Number of CTRs received and time frame: 9,973 in 2010

STR covered entities: Banks, estate agents, private security firms, funds transporters, diamond merchants, notaries, bailiffs, auditors, chartered accountants, tax advisors, certified accountants, surveyors, lawyers and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 11 in 2010

Convictions: One in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Belgium is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/40/39/42761756.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Belgium permits bearer shares for individuals as well as for banks and companies.

In 2011, Belgian authorities became more efficient and timely in freezing suspicious transactions due to improved cooperation among the different operational levels of the law enforcement authorities. They are scrutinizing more closely the purchase of properties by non-profit religious organizations with religious goals, since most of these transactions occur through cash deposited into the accounts of these non-profit organizations.

Belgian authorities are continuing to address implementation issues in two sectors, phone shops and the diamond industry. Phone shops allow customers to make inexpensive phone calls and access the internet. Only a quarter of the approximately 3,000 phone shops are formally licensed, and raids on these shops have uncovered evidence of money laundering operations. Authorities report challenges for officials trying to collect tax revenues and detect money laundering operations because phone shops often declare bankruptcy and later reopen under new management. Belgian authorities recognize the particular importance and special challenges for law enforcement of the diamond industry, as well as the potential vulnerabilities it presents to the financial sector, as 80% of the world's rough diamonds and 50% of polished diamonds pass through Belgium. Authorities have transmitted a number of cases relating to diamonds to the public prosecutor.

Belize

Belize is not a major regional financial center but, in an attempt to diversify its 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.

Money Laundering and Financial Crimes

Belize is a transshipment point for marijuana, cocaine, and precursor chemicals for methamphetamines. Money laundering proceeds are related to proceeds from the trafficking of illegal narcotics, psychotropic substances, and chemical precursors, and they are controlled by drug trafficking organizations and organized criminal groups.

Belizean officials suspect that money laundering occurs at a significant level in Belize. Belizean officials believe the large Corozal Commercial Free Zone (CFZ) that operates at the border with Mexico is involved in trade based money laundering. Casinos and on-line gaming are legal but authorities acknowledge they are under-regulated which may pose a money laundering risk.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: YES
KYC 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; casinos; motor vehicle dealers; jewelers; international financial service providers; attorneys and notaries public; and accountants and auditors

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 76, January 1 through October 24, 2011
Number of CTRs received and time frame: Not applicable
STR 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; casinos; motor vehicle dealers; jewelers; international financial service providers; attorneys, notaries public, accountants & auditors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two - January 1 through October 24, 2011
Convictions: Two - January 1 through October 24, 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** 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 can be found here:
[http://www.cfatf-gafic.org/downloadables/mer/Belize_3rd_Round_MER_\(Final\)__\(English\).pdf](http://www.cfatf-gafic.org/downloadables/mer/Belize_3rd_Round_MER_(Final)__(English).pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Belize lacks the resources and political will to effectively enforce anti-money laundering rules. Belize's financial intelligence unit (FIU) has a broad mandate and a small staff. The FIU staff has limited training or experience in identifying, investigating, reviewing, and analyzing evidence in money laundering cases.

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There were credible reports of at least one investigation being halted because of political pressure on the FIU. Prosecutors and judges also need additional training on financial crimes, including money laundering. Belize should implement an arrangement for asset sharing to provide additional resources to the FIU.

Belize should significantly strengthen its laws and regulations on financial information systems, beneficial ownership, customer due diligence and wire transfers in line with international standards and recommendations. Belize should undertake a review of whether it is appropriate to implement a large currency transaction reporting regime.

While it is widely believed that abuse occurs within the offshore sector and in the free trade zones (FTZ), no one from these organizations has been charged with a financial crime. Belize should require the FTZ companies to be reporting entities.

The Government of Belize should become a party to the UN Convention against Corruption.

Benin

Benin is not a financial center. It is a regional re-export hub, particularly for trafficked vehicles. A large percentage of the motor fuels sold in Benin is informally imported from Nigeria. There is also significant informal trade in consumer goods with Nigeria, including medicines and vegetable oil. There is no indication the informal markets are funded through narcotics proceeds. Internet and other fraud schemes are common. Benin is a transit point for cocaine and heroin moving from Latin America, Pakistan and Afghanistan into Europe. Human trafficking and corruption are also concerns. While some money laundering may occur through Benin's banking system, Government of Benin (GOB) officials believe money laundering is undertaken primarily through the purchase of assets, such as real estate; shipment of used vehicles for resale; and front companies. Free trade zones are permitted but none have been developed to date.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, cash couriers, casinos, insurance companies, post office, real estate agents, lawyers, notaries, non-governmental organizations, travel agents, and dealers of precious metals, stones and artifacts

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 44 in 2011
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, cash couriers, casinos, insurance companies, post office, real estate agents, lawyers, notaries, non-governmental organizations, travel agents, and dealers of precious metals, stones and artifacts

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None in 2011

Convictions: None in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Benin is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force (FATF)-style regional body. Its most recent evaluation can be found here: <http://www.giaba.org/index.php?type=c&id=38&mod=2&men=2>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The GOB has taken specific steps to construct an anti-money laundering/counter-terrorist financing (AML/CFT) regime; however, AML countermeasures suffer from poor information sharing and cooperation among government agencies and departments. Additionally, Benin's law enforcement is hindered by a lack of financial crimes expertise. There is little data to reliably measure progress in combating money laundering.

KYC and STR requirements are not routinely implemented. With the exception of cash couriers, who must declare the transfer of funds equal to or exceeding 2,000,000 FCFA (approximately \$4,000) across borders, AML/CFT controls are not applied to non-bank financial institutions, despite their coverage under the law. Benin customs authorities do not evaluate cross-border currency declarations for money laundering purposes and do not share the data with the financial intelligence unit. The GOB should work with regional partners and international donors to provide AML awareness and procedural training to those with responsibilities under the law.

Benin does not have specific legislation criminalizing terrorist financing, but individuals found guilty of such crimes may be charged under the country's penal code. As of the end of 2011, there is a law before the National Assembly that would criminalize terrorist financing.

In 2011, Benin was involved in a massive, international scheme in which Lebanese financial institutions, including a bank and two exchange houses linked to Hezbollah, used the U.S. financial system to launder narcotics trafficking and other criminal proceeds through West Africa and back into Lebanon. As part of the scheme, funds were wired from Lebanon to the United States to buy used cars, which were then transported to Benin. Cash from the sale of the cars, along with proceeds of narcotics trafficking, were then funneled to Lebanon through Hezbollah-controlled money laundering channels, including bulk cash smuggling routes to and from Benin. Substantial portions of the cash were paid to Hezbollah, which the U.S. Department of State has designated as a Foreign Terrorist Organization.

Bermuda

A British Overseas Territory, Bermuda is a major offshore financial center. It is the third largest reinsurance center in the world and the second largest captive insurance domicile. Bermuda is not considered a major drug transit country; however, the majority of the money laundering that occurs in Bermuda is believed to be related to the domestic drug trade. Money laundering proceeds are controlled primarily by gangs, which have proliferated in recent years. There is no significant black market for smuggled goods in Bermuda.

There is no known money laundering/terrorist financing (ML/TF) activity through free trade zones, hawalas, or money or other value transfer services in Bermuda. However, there are cases where domestic criminals utilize the formal financial sector for money laundering purposes.

Bermuda does not permit offshore banks; a foreign bank may establish a subsidiary as a Bermuda company with its own board of directors, but may not establish a branch. Bermuda does not permit bearer shares, nor does it permit shell companies. While casinos and on-line betting are not allowed in Bermuda, betting on sports is legal.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* NO
KYC covered entities: Banks, trustees, investment businesses (including securities brokers and financial management firms), long-term insurance companies, money service businesses, insurance managers and brokers, fund administrators, and investment fund operators

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 267 from January 1 through September 30, 2011
Number of CTRs received and time frame: Not applicable
STR covered entities: All persons have a duty to report any suspicion of money laundering that comes to their attention in the course of their ‘trade, profession, business or employment’

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Ten from January 1 through October 24, 2011
Convictions: Three from January 1 through October 24, 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES
With other governments/jurisdictions: YES

Bermuda 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/Bermuda_3rd_Round_MER_%28Final%29_English.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The government has increased the number of qualified staff dedicated to the fight against ML/TF and provided additional, relevant training. The Ministry of National Security now includes a new National Border Control Agency and the customs enforcement and compliance units of the Department of Immigration. They work closely with international partners, including U.S. law enforcement agencies. In February 2011, the U.S. Department of Homeland Security requested Bermuda’s assistance with respect to an investigation of a U.S. national suspected of involvement in the importation of large quantities of

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controlled drugs into Bermuda via commercial aircraft. The Bermuda Police Service conducted a joint investigation with the Department of Homeland Security and the Drug Enforcement Administration, resulting in the arrest and charging of one U.S. national and three Bermudians for money laundering offenses. A substantial quantity of controlled drugs was also seized. In July 2011, the U.S. and Bermuda commenced a joint money laundering investigation following suspicions of large quantities of controlled drugs being imported to Bermuda from the U.S. This operation led to one Bermudian being charged with money laundering and drug trafficking offenses.

The United Kingdom (UK) Terrorist Asset-Freezing etc. Act 2010 (Overseas Territories) Order 2011 came into force in Bermuda on March 31, 2011 and ensures that necessary international anti-terrorism and terrorist asset freezing measures are in place in the UK Overseas Territories to prevent and suppress the financing and facilitation of any acts of terrorism. The Proceeds of Crime Amendment Act 2011, which came into force on August 10, 2011, extends police powers to seize cash when investigating a serious crime or in the general execution of their duties.

The Government of Bermuda should ensure its offshore sector and exempt companies are subject to appropriate safeguards to prevent their misuse as potential conduits of money laundering, tax evasion, and other financial crimes. The low number of money laundering prosecutions and convictions suggests further work could be done.

Bermuda is a British Overseas Territory and cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for Bermuda's international affairs and may arrange for the ratification of any convention to be extended to Bermuda. The 1988 Drug Convention was extended to Bermuda in 1995. The UN Convention against Corruption, 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 Bermuda. Through domestic regulation, Bermuda has put into force UK sanctions against Libya, Tunisia, Egypt, Syria and Belarus.

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. Casinos, cash transporters, informal exchange houses, and wire transfer businesses are not subject to anti-money laundering controls. The Bolivian banking supervision entity has declared that any non-registered exchange houses will be shut down. The Bolivian financial system is highly dollarized, with approximately 40% 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 for commercial and industrial use located in El Alto, Cochabamba, Santa Cruz, Oruro, Puerto Aguirre, and Desaguadero.

In December 2008, the Egmont Group expelled the Financial Investigation Unit (UIF), Bolivia's financial intelligence unit (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.

Bolivia is included in the October 2011 Financial Action Task Force (FATF) Public Statement because it has not made sufficient progress in implementing its action plan and continues to have certain strategic AML/CFT deficiencies, including inadequacies in its criminalization of both money laundering and terrorist financing.

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For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, insurance companies, securities brokers and financial intermediaries

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks, insurance companies, securities brokers and financial intermediaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 110 cases related to money laundering, corruption, and terrorist financing in 2011

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** NO

With other governments/jurisdictions: Not available

Bolivia is a member of the Financial Action Task Force on Money Laundering in South America (GAFISUD), a 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 continued to diminish 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. Nevertheless, the Counternarcotics Police's Financial Intelligence and Analysis Group provided the investigative leads for three major cases in 2011, two related to investigations by regional counterparts. 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). Bolivia is currently working toward rejoining the Egmont Group and the passage of its TF law in 2011 is a step in the right direction.

Bolivia's AML law does not include all offenses recommended in the international standards. Bolivia should seek to extend its laws to the widest range of predicate offenses.

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In September 2011, the Government of Bolivia (GOB) passed new legislation criminalizing terrorist financing. Like the AML law, this law is not sufficiently broad to meet international standards. All terrorist activity must be connected to a group, and “terrorism” appears to be narrowly defined. The financing of an individual terrorist would be covered only if he/she also takes part in such a group. At present there is neither regulation nor guidance on the treatment of suspicious transactions potentially related to terrorist financing, though Bolivian authorities stated guidance will be issued in the last quarter of 2011 and workshops will be organized to communicate the guidelines to responsible entities. Some progress has been made with the new legislation criminalizing TF. However, Bolivia has still to demonstrate that its procedures for monitoring sanctions lists and taking freezing actions can occur in a matter of hours and that the freeze can be maintained indefinitely.

In 2011, the UIF investigated 395 cases involving 1,338 people for suspicious transactions and referred 39 cases to the prosecutor's office. Eleven entities doing banking transactions illegally were closed down. 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.

Bosnia and Herzegovina

Bosnia and Herzegovina (BIH) is primarily a cash-based economy and is not an international or regional financial center. Most money laundering activities in BIH are for the purpose of evading taxes. A lesser amount involves concealing the proceeds of illegal activities, including trafficking, illicit drugs and corruption. BIH authorities have had some success in preventing money laundering in the formal banking sector. However, with porous borders and weak enforcement capabilities, BIH is a significant market and transit point for smuggled commodities including cigarettes, illicit drugs, firearms, counterfeit goods, lumber and fuel oils. The cash-based economy and weak border controls on bulk cash couriers also contribute to making BIH an attractive venue for organized criminal elements and potential terrorist financiers. There is no indication BIH law enforcement has taken action to strongly combat the trade-based money laundering likely to be occurring in the country. Corruption is endemic, affecting all levels of the economy and society.

There are four active free trade zones in BIH, with production based mainly on automobiles and textiles. There have been no reports that these areas are used in trade-based money laundering. The Ministry of Foreign Trade and Economic Relations is responsible for monitoring free trade zone activities.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks and currency exchange offices; financial leasing firms; insurance companies; post offices; investment and mutual pension companies; stock exchanges and stock exchange agencies; casinos and gaming enterprises; dealers in vehicles, art, precious metals and stones; lawyers, notaries, auditors and accountants; real estate brokers; company formation agents; trusts and asset managers; pawnshops; travel agents; auctioneers; and charities

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 163,805 from January 1 - September 11, 2011

Number of CTRs received and time frame: 101,712 from January 1 - September 11, 2011

STR covered entities: Banks and currency exchange offices; financial leasing firms; insurance companies; post offices; investment and mutual pension companies; stock exchanges and stock exchange agencies; casinos and gaming enterprises; dealers in vehicles, art, precious metals and stones; lawyers, notaries, auditors and accountants; real estate brokers; company formation agents; trusts and asset managers; pawnshops; travel agents; auctioneers; and charities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two from January 1 - October 18, 2011

Convictions: Two first instance verdicts and two second instance from January - October, 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Bosnia and Herzegovina is a member of the 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/BH_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

BIH's political structure, fragmented police and judicial structures, and ethnic politics hinder its anti-money laundering/counter-terrorist financing (AML/CFT) regime. Coordination of financial law enforcement among the multiple jurisdictional levels in BiH -- the State, the two entities (the Federation of Bosnia and Herzegovina and the Republika Srpska), and Brcko District -- is improving, but can and needs to improve further. Criminal codes and criminal procedure codes from the State, the two entities, and Brcko District were enacted and harmonized in 2003, but further harmonization is necessary. Since the State level resources could not investigate all money laundering violations, the respective criminal codes complement one another. The jurisdictions, however, maintain separate bank supervision and enforcement/regulatory bodies. Although BIH has an overarching law providing a framework for implementing UNSC measures, in some cases, it lacks appropriate regulations for prescribing implementation.

The Law on Foreign Exchange Operation, adopted by BIH entities in 2010, and the rules on procedures issued by the Ministry of Finance improve KYC rules. BIH also issued guidelines, which include risk assessment guidelines and indicators of suspicious activity, for the Insurance Agency and Securities Commission for customers under their jurisdictions. In May 2011, the Financial Intelligence Department (FID) issued reporting instructions to all covered non-bank entities. In addition, BIH authorities, including the FID, organized training and awareness programs for a number of persons/sectors covered under the law.

BIH law requires the reporting of all cross-border transportation of cash and securities in excess of KM 10,000 (approximately \$6,900). However, due to weak enforcement and corruption, large amounts of currency leave and enter the country undetected. In addition, the Indirect Tax Administration has no authority to seize currency from the carrier upon discovery of a false declaration or suspicion of illegal activity. Although the Government of BIH (GOBIH) recognizes the threat of money laundering posed by bulk cash couriers, enforcement problems continue to exist.

Officially, the FID has access to other government entities' records, and formal mechanisms for interagency information sharing are in place. In practice, however, the FID has only indirect access to the full range of databases required to perform proper analysis. Over the last year, the cooperation between investigative agencies and the FID has improved significantly, and information has been shared in both directions.

The GOBIH should continue to strengthen institutions with responsibilities for money laundering prevention. Due to a lack of resources and bureaucratic politics, the Financial Intelligence Unit (FIU), like many State institutions, remains under-funded and under-resourced. Although the Council of Ministers passed amendments to the Law on Prevention of Money Laundering and Terrorist Financing, the State Parliament rejected the legislation on October 27, 2011. There are ongoing deliberations to review and possibly re-submit the draft legislation. Under the legislation, the FIU would become a more independent administrative body under the Ministry of Security. The legislation would also strengthen the FIU's ability to disseminate information and penalty provisions for non-compliance with reporting obligations.

Although prosecutors, financial investigators, and tax administrators have received training on tax evasion, money laundering, and other financial crimes, BIH should enhance their capacity to understand diverse methodologies, and aggressively pursue investigations. BIH authorities should undertake efforts to understand illicit markets and their role in trade-based money laundering and alternative remittance systems.

BIH law enforcement and customs authorities should take additional steps to control the integrity of the borders and limit smuggling. BIH should take specific steps to completely implement its anti-corruption strategy and to combat corruption at all levels of commerce and government. The GOBIH also must adopt a comprehensive asset forfeiture law that implements a formal mechanism for the administration of seized assets. The government should enact implementing legislation for the international conventions to which it is a party. The government must ensure BIH adopts and enacts appropriate regulations for implementation of UNSC measures.

Botswana

Botswana is not a regional financial center. Money laundering in Botswana, to the extent it occurs, is not primarily related to proceeds from narcotics. However, there is some indication of an increase in drug trafficking in recent years and observers have noted an increase in the sophistication and level of cross-border crime. Major fraud committed against large organizations such as banks and government departments, typically with employee collusion, has been noted. Botswana enjoys a low level of corruption compared to other African states.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF

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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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks, building societies, collective investment undertakings, the Botswana Savings Bank, post offices, registered stockbrokers, long-term insurance business, licensed foreign exchange dealers, and an international financial services center certification committee

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 38 in 2010
Number of CTRs received and time frame: Not available
STR covered entities: Banks, building societies, collective investment undertakings, the Botswana Savings Bank, post offices, registered stockbrokers, long-term insurance business, licensed foreign exchange dealers, and an international financial services center certification committee

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two in 2004
Convictions: Two, both under appeal

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Botswana 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/reports/view_me.php?id=167

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Botswana (GOB) has established the fundamentals of an anti-money laundering (AML) regime through various legislative and regulatory instruments. Although key components of the institutional framework are in place, only the Central Bank enforces AML requirements. Implementation of the AML regime has been slow. Coordination between departments and agencies needs improvement. The country's financial intelligence unit, although legally established, is not yet operational. Only banks have filed STRs to date.

The GOB has not yet set up a legal mechanism to address terrorist financing. The drafting of counter-terrorist finance legislation continues at a slow pace.

Brazil

As of 2011, Brazil is the world's seventh largest economy by nominal GDP. 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. Money laundering in Brazil is primarily related to domestic crime, especially drug trafficking, corruption, organized crime, gambling, and trade in various types of

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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.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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 ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame:

Number of CTRs received and time frame:

1,038,505 STRs/CTRs in 2010 (only combined figures are available)

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES

With other governments/jurisdiction: YES

Brazil is a member of the Financial Action Task Force (FATF) and the Financial Action Task Force on Money Laundering in South America (GAFISUD), a FATF-style regional body. Its most recent mutual

evaluation can be found here: http://www.fatf-gafi.org/document/53/0,3746,en_32250379_32236963_45538741_1_1_1_1,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The GOB has achieved visible results over the last few years 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. Because of the effective crackdown on the Friendship Bridge connecting Foz do Iguacu, 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.

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. There are 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 the overlapping jurisdiction among federal and state law enforcement authorities does not impede the effectiveness of their ability to investigate ML. Brazil also should 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 U.S. dollars, and cross-border bulk cash smuggling is a major concern. Large sums of U.S. 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. Brazil maintains some controls of capital flows and requires disclosure of the ownership of corporations.

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, although the GOB has consistently said there is no evidence of terrorist financing within Brazil despite arrests and designations related to terrorist financing activity within the country.

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. A bill that has been pending legislative action for over two years 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. BVI is a well-established financial center offering accounting; banking and legal services; captive insurance; company incorporations; mutual funds administration; trust formation; and shipping registration. The Financial Services Commission (FSC) is the sole supervisory authority responsible for the licensing and supervision of financial institutions under the relevant statutes. As of March 2011, there were 45,666 active companies, seven licensed banks, 216 other fiduciary companies and 2,627 investment businesses registered with the FSC. The banking sector has assets valued at \$2.4 billion as of September 2011. Exploitation of its offshore financial services, BVI's unique share structure that does not require a statement of authorized capital, and the lack of mandatory filing of ownership information pose significant money laundering risks.

Tourism accounts for 45% of the economy and employs the majority of the workforce; however, financial services contribute over half of government revenues. BVI's proximity to the U.S. Virgin Islands and the use of the U.S. dollar for its currency pose additional 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.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 191 in 2010
Number of CTRs received and time frame: Not available
STR 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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None in 2010
Convictions: None in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** 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

The BVI has improved its international cooperation and information exchange regime and has concluded and enforced Tax Information Exchange Agreements with 20 countries, including the U.S., which all contain provisions sufficient to allow the BVI to exchange relevant information.

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, and has extended regulation to money value transfer service operators, these laws are too recent to be evaluated. The FSC has increased 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 the FSC should work closely with law enforcement and other authorities.

BVI needs to urgently clarify its publication of data - no data was available for the number of STRs and prosecutions for 2011. In addition, while real estate agents, lawyers, other independent legal advisers, accountants, and dealers in precious metals and stones are covered by the AML/CFT regulations, there appears to be no effective mechanism (i.e., supervision) 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.

Brunei

Brunei is not a regional financial center and does not have free trade zones. Brunei has a small offshore financial center and its proximity to high crime regions, along with its large foreign worker population and limited anti-money laundering/counter-terrorist financing (AML/CFT) institutional capacity, make it vulnerable to cross-border criminal activity. Domestically, Brunei is a low threat country for money laundering and terrorist financing. Proceeds of crime generally originate in fraud, gambling, the drug trade, and fuel smuggling. Brunei has experienced an increase in cybercrime and financial fraud such as pyramid schemes and e-mail scams.

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: Combined approach
Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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KYC covered entities: Domestic and offshore banks, insurance companies, finance companies, money exchanges and remitters, and securities broker/dealers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Domestic and offshore banks, insurance companies, finance companies, money exchanges and remitters, and securities broker/dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other:** NO

With other governments/jurisdiction: YES

Brunei 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/Brunei%20Darussalam%20MER2_FINAL.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While Brunei has strengthened AML/CFT controls, law enforcement and prosecutors are hampered by a lack of capacity and gaps in the legal framework. The Government of Brunei (GOB) committed to strengthening its AML/CFT regime by approving an amendment order in July 2010 that includes stronger KYC rules. Since this order does not address designated non-financial businesses and professions (DNFBPs), the GOB should draft notices to cover DNFBPs as well. Additionally, only money changer and remittance companies are obliged to report cash transactions above B\$5,000 (approximately \$3,850). New reporting procedures for banks have been proposed but not yet adopted. The GOB has developed an action plan to address its deficiencies by adequately criminalizing money laundering and terrorist financing; enhancing measures to confiscate assets and freeze terrorist funds; expanding the suspicious transactions reporting regime; and improving the mutual legal assistance authorities.

Brunei's criminalization of money laundering is deficient and limited to predicate offenses that have an imprisonment term of not less than five years. This high threshold results in the exclusion of many offenses as money laundering predicate offenses. Brunei should expand the scope of the money laundering offense to cover the widest range of predicate offenses in order to meet the international standards.

The GOB issued a notice to banks to conduct enhanced due diligence on politically exposed persons (PEPs) and issued a new Anti-Terror Order (ATO), which came into force in July 2011. The ATO extends financial entities' STR obligations to include transactions suspected to involve terrorist financing and expands the definition of offenses punishable in Brunei to include terrorists' financial collaborators. However, the ATO covers only the financing of terrorist acts and does not cover sole financing of a terrorist organization or of an individual terrorist.

Brunei also promulgated new regulations to monitor cross-border currency and bearer instruments, although both domestic and cross-border wire transfers are not comprehensively monitored.

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Brunei should strengthen its actions against investment fraud and illegal deposit taking. Intellectual property theft generates significant proceeds but is not a priority for authorities. The GOB should ensure intellectual property crimes are fully criminalized, and effective controls are in place to prevent theft and prosecute offenders.

Bulgaria

Bulgaria's developing financial sector, large underground economy, prevalent use of cash transactions and lack of effective enforcement combine to make Bulgaria vulnerable to money laundering. The main sources of laundered money in 2011 were derived from domestic and foreign criminals engaging in drug trafficking, smuggling, human trafficking, tax fraud, credit card fraud, and increasingly, internet fraud. Bulgaria is a major transit point for the trafficking of drugs and persons into Western Europe. Corruption remains a serious problem and many still associate public tenders with kickbacks and money laundering. Financial crimes enforcement capacity is limited. The authorities opt for easy-to-prove, low-level corruption and related money laundering cases. As a result, progress on cases of high public interest, involving alleged siphoning of millions of taxpayer money, such as the public procurement of big energy infrastructure projects, have not generally been pursued.

Bulgarian criminals often establish small businesses to hide laundered funds, increasingly in offshore territories. However, due to the adverse effects of the economic crisis, businesses are seeing less profit, making it more difficult to launder money in these venues. In 2011, casinos, night clubs, car dealerships and, to a lesser extent, wholesale traders, were the most common businesses associated with money laundering in Bulgaria. The tourism and gaming industries are considered important venues for money laundering activities among organized crime groups.

There are six free trade zones in Bulgaria that are supervised by the Ministry of Finance: Burgas, Vidin, Ruse, Svilengrad, Plovdiv and Dragoman. The goods produced in these zones are exported without duties. While this is becoming less common due to Bulgaria's EU membership, some believe free trade zones are used to avoid paying customs fees, especially on gas derivatives and cigarettes sold within Bulgaria.

Contraband continues to generate laundered funds within the Bulgarian financial system, particularly the trade in smuggled cigarettes, alcohol, and fuel. According to the NGO Center for the Study of Democracy, the smuggling of cigarettes is particularly problematic, creating an illicit income stream in excess of \$400 million annually in 2010 - 2011.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, money exchangers, insurance companies, investment funds, notaries, gambling businesses, securities dealers, real estate brokers, political parties, sport clubs, accountants and private enforcement agents

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 1,058 from January to September 2011

Number of CTRs received and time frame: 162,181 from January to September 2011

STR covered entities: Banks, money exchangers, insurance companies, investment funds, notaries, gambling businesses, securities dealers, real estate brokers, political parties, and sport clubs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 34 from January to September 2011

Convictions: 29 from January to September 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Bulgaria is a member of the 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/Bulgaria_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Bulgaria (GOB) has undertaken steps to deter financial crimes and continues to track the number of money laundering prosecutions and reports of suspicious financial transactions. The GOB has introduced legislation to allow civil asset forfeiture independent of a criminal conviction, which would make it more difficult for criminals to hide and launder illegal assets. The GOB also should make legal persons subject to criminally liability for money laundering offenses.

Aggressive prosecution of money laundering cases is hampered by the reluctance of key witnesses to testify against organized criminal groups; lack of incentives to motivate prosecutors to take on complex cases; and poor coordination and ineffective communication among police units. However, investigators and prosecutors are developing and implementing training programs, manuals and internal guidelines designed to strengthen their capacity to investigate these cases.

In 2011, roughly 95% of financial reporting was done by financial institutions. Reporting by non-bank institutions, such as gaming businesses, investment intermediaries, notaries and leasing companies continues to be low. This is likely due to the absence of effective regulatory control over the non-bank financial sector. The GOB also should make foreign PEPs subject to enhanced due diligence requirements.

The combination of a steep increase in excise duties on cigarettes, falling incomes during the financial crisis and the less stringent control on the EU internal border between Greece and Bulgaria has strained the capacity of Bulgarian customs to counter cigarette smuggling. However, Bulgarian customs and law enforcement agencies conducted several high-profile anti-smuggling operations in 2011, which led to the seizure of significant amounts of contraband.

Burkina Faso

Burkina Faso is not a regional financial center. With only 6% of Burkinabe banked, its economy is primarily cash-based, and most economic activity takes place in the informal sector. Burkina Faso lacks

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the resources necessary to protect its borders adequately and to monitor the movement of goods and people. Because the country's borders tend to be largely unregulated, proceeds from illegal narcotics operations and black market currency exchanges easily flow in and out of the country. Regional corruption, a lack of resources, and overburdened and weak judicial and law enforcement systems are also major challenges.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: The Public Treasury, Central Bank of West African States (BCEAO), banks, microfinance institutions, exchange bureaus, insurance companies and brokers, management companies, regional stock exchange, independent legal professionals involved in financial transactions, auditors, real estate agents, fund transporters, owners of casinos and lotteries, travel agencies, NGOs, and dealers of high value goods

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 77 from October 2010 to November 2011
Number of CTRs received and time frame: None
STR covered entities: The Public Treasury, BCEAO, banks, microfinance institutions, exchange bureaus, insurance companies and brokers, management companies, regional stock exchange, independent legal professionals involved in financial transactions, auditors, real estate agents, fund transporters, owners of casinos and lotteries, travel agencies, NGOs, and dealers of high value goods

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: One from October 2010 to November 2011
Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** NO
With other governments/jurisdictions: YES

Burkina Faso is a member of the Inter Governmental 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=39&mod=2&men=2>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The BCEAO is working at the regional level to draft revised anti-money laundering (AML) regulations. Limited resources hamper the Government of Burkina Faso's (GOBF) ability to enforce current AML laws and regulations. The cash-based economy means the use of informal money value transfer systems

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is common, yet the GOBF does not regulate or supervise this sector. CENTIF, the newly created financial intelligence unit (FIU), is not yet fully operational and is still working to establish itself as an institution. All six staff members of the CENTIF have started work, but lack the training and capacity to fully enforce the law and its attendant regulations. CENTIF will likely require additional personnel, additional training, and better funding in order to be able to carry out its mission. CENTIF, law enforcement agencies and customs lack the means and expertise to regulate, enforce or control the various monetary and commercial sectors.

There is little enforcement and no formal method for tracking the movement of goods and money into and out of the country at either land or air points of entry.

Records exchange with countries outside of the West Africa Economic and Monetary Union (WAEMU) region is possible via bilateral agreement. CENTIF is open to exchanging information on a reciprocity basis with counterpart FIUs. In 2011, the GOBF continued its cooperation with regional and global counterterrorism efforts.

Burma

Burma is not a regional or offshore financial center. Its economy is underdeveloped and largely isolated from the international financial system. However, Burma's prolific drug production and lack of transparency make it attractive for domestic money laundering. While its underdeveloped economy is not adequate as a destination to harbor funds, the low risk of enforcement and prosecution makes it appealing to the criminal underground. In addition to drug trafficking, trafficking in persons 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 government allow organized crime groups to function with minimal risk of interdiction. The Government of Burma (GOB) considers drug enforcement secondary to security and is willing to allow narcotics trafficking in border areas in exchange for cooperation from ethnic armed groups.

The government 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. This was followed in 2011 by sales of government buildings and plots of land, mostly in Rangoon; however, most new owners appear to be business associates of the former ruling generals or politicians in the current civilian government and some are allegedly connected to drug trafficking.

Corruption is endemic in both business and government. Transparency International's 2010 Corruption Perception Index ranks Burma 176 out of 178 countries. This extensive corruption, overall lack of governmental transparency, and an extremely weak financial regulatory system have stymied the GOB's recent, preliminary gestures toward financial reform. In the past several years, the GOB enacted several reforms intended 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.

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Since 1997, the United States has imposed economic sanctions on Burma due to large-scale repression of the country's democratic opposition. Executive Order 13047 (1997) prohibits U.S. persons from making or facilitating new investments in Burma. Subsequent measures expand the scope of economic sanctions. In 2003, the Burmese Freedom and Democracy Act and Executive Order 13310 added a ban on importing Burmese products and exporting financial services to Burma and blocked the assets of the former military government (SPDC) and three designated Burmese foreign trade financial institutions. A 2007 Executive Order (E.O. 13348) freezes the assets of additional designated individuals responsible for human rights abuses and public corruption. In July 2008, Congress enacted legislation that expands the categories of individuals and entities subject to asset freezes and travel restrictions and of Burmese products subject to import bans.

In 2003, the United States also designated Burma as a jurisdiction of primary money laundering concern and imposed countermeasures, pursuant to Section 311 of the USAPATRIOT Act, because of its extremely weak anti-money laundering /counter-terrorist financing (AML/CFT) regime.

In its October 2011 Public Statement, the Financial Action Task Force (FATF) notes concern that Burma continues to have significant strategic AML/CFT deficiencies and has not reported any progress in addressing these deficiencies in accordance with its action plan. In response to FATF Public Statements concerning Burma, the United States continues to issue advisories to financial institutions, alerting them of the risk posed by Burma's AML/CFT deficiencies and of the need to conduct enhanced due diligence with respect to financial transactions involving Burma.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 214 from January to October 2011
Number of CTRs received and time frame: 137,910 from January to October 2011
STR covered entities: Banks (including bank-operated money changing counters), customs officials, state-owned insurance company and small loans enterprise, securities exchange, accountants, the legal and real estate sectors, and dealers of precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* NO
With other governments/jurisdictions: YES

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Burma is a member 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.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. Regulation of financial institutions is likewise extremely weak. While some Burmese financial institutions may engage in currency transactions related to international narcotics trafficking that include significant amounts of U.S. currency, the absence of publicly available GOB information precludes confirmation of such conduct. Burmese law does not contain any customer due diligence (CDD) requirements, although the Central Bank (CB) issues guidelines for banks to follow and some entities implement CDD procedures under other, non-AML related legal provisions.

Burma does not specifically criminalize terrorist financing or designate it as a predicate offense for money laundering, nor is terrorist financing an extraditable offense.

Corruption is pervasive in every level of Burma's 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 routinely seek bribes as additional "compensation." Any efforts to address 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 and money laundering, including strengthening regulatory 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 also move the CB from under the operational control of the Ministry of Finance and make it an operationally independent entity.

The GOB should become a party to the UN Convention against Corruption.

Burundi

Burundi is not considered a significant center for money laundering and terrorist financing. The Government of Burundi (GOB) has created anti-money laundering/counter-terrorist financing (AML/CFT) laws and signed conventions but has yet to commit funding, provide training, implement policies, or demonstrate the political will to counter money laundering. Enforcement of laws in general is hindered by a dysfunctional and corrupt administration and a severe lack of capacity in supervisory, investigative and enforcement bodies. Neither the Financial Crime Unit (FCU) of the Burundian National Police nor the Financial Intelligence Unit (FIU) of the Ministry of Finance has conducted any investigations. Corruption is a significant problem in Burundi and corrupt Burundian politicians are adept at devising methods of laundering Burundian assets abroad, enjoying near impunity of their thefts of public funds.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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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 available

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Not available

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: None

Number of CTRs received and time frame: None

STR covered entities: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO

With other governments/jurisdictions: NO

Burundi is not a member of any Financial Action Task Force (FATF)-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Burundi Central Bank supervises and examines financial institutions for compliance with AML/CFT laws and regulations. A law requiring banks to report large deposits or transactions to authorities is not enforced.

There are significant problems that deter effective AML/CFT efforts. Although laws exist, there appears to be little political will to prosecute or commit the resources to investigate crimes, particularly those that could implicate high-level government officials. Burundi is listed 170 out of 178 countries surveyed in Transparency International’s International Corruption Perception Index. Burundian law enforcement officials lack training and expertise in investigating financial crimes. The GOB should develop an oversight capability and provide sufficient resources, funding, and training to the Financial Intelligence Unit and the Financial Crime Unit.

Burundi should become party to the International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Transnational Organized Crime.

Cambodia

Cambodia is neither a regional nor an offshore financial center. Cambodia is at significant risk for money laundering due to its cash-based and dollarized economy, porous borders, rapidly growing formal banking

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sector, weak judicial system, and endemic corruption. The National Bank of Cambodia has limited capacity to oversee the growing financial and banking industries, and there is little monitoring of casinos.

Cambodia has a significant black market for smuggled goods, including drugs and imported precursors for local production of the methamphetamine ATS. Regardless of size, both licit and illicit transactions are frequently conducted outside formal financial institutions and are difficult to monitor. Cash proceeds from crime are readily channeled into land, housing, luxury goods, or other forms of property without passing through the formal banking sector.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO
KYC 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 offices performing payment transactions; lawyers, notaries, accountants, auditors, investment advisors and asset managers; casinos and gambling institutions; and NGOs and foundations doing business and raising funds

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 138 in 2011
Number of CTRs received and time frame: 611,976 in 2011
STR 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 offices performing payment transactions; lawyers, notaries, accountants, auditors, investment advisors and asset managers; casinos and gambling institutions; and NGOs and foundations doing business and raising funds

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None
Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO
With other governments/jurisdiction: YES

Cambodia is a member of the Asia/Pacific Group on Money Laundering, 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:

Cambodia's 2007 AML/CFT law defines money laundering, but does not adequately criminalize money laundering and terrorist financing due to the lack of penalty provisions for offenses other than those relating to reporting obligations. The existing penal code, amended in 2010, criminalizes money laundering, but only criminalizes the act of concealment, and does not meet international standards. Furthermore, the AML/CFT law only covers terrorist financing if it is related to a specific terrorist act, and does not cover material support of an individual terrorist or terrorist organization. The Government of Cambodia (GOC) is in the process of amending the AML/CFT law and should ensure the AML/CFT amendment comprehensively criminalizes money laundering and terrorist financing, consistent with international standards.

Cambodia lacks a clear legal or regulatory basis to identify and freeze terrorist assets. While the 2007 Counter Terrorism Law authorizes prosecutors to freeze terrorist assets, the AML/CFT regulations provide for an administrative freeze that places the obligation of identifying and freezing terrorist assets on the banks. Cambodia should address this inconsistency and provide clear measures in the law and regulation that allow for the implementation of international standards. In addition, procedures for the confiscation of funds related to money laundering are inadequate, and the GOC lacks effective controls for cross-border cash transactions. The GOC should establish enforceable instructions for freezing terrorist assets without delay and impose more stringent cross-border cash transaction controls.

Cambodia's nascent financial intelligence unit (FIU) lacks both the capacity and the authority to engage fully in AML/CFT efforts. While the FIU can raise concerns with law enforcement, it forwards CTRs and STRs to the Ministry of the Interior, which determines whether to pursue an investigation. The lack of a clear and coherent reporting and enforcement structure undermines FIU independence and compromises AML/CFT activities. Few covered entities follow STR reporting guidelines. The GOC should rationalize the STR and CTR reporting process to ensure law enforcement agencies have the data they need and covered entities understand the purpose of, and process for, filing STRs. The GOC should also provide training to commercial bank officers, law enforcement agencies, and regulatory bodies.

Additionally, weak investigative and prosecutorial infrastructure as well as widespread corruption continue to undermine the capacity of the criminal justice system to act on information provided by banks and other covered entities.

Cambodia lacks special due diligence requirements for domestic PEPs, which exacerbates an already high rate of corruption. While the AML/CFT regime has safe harbor provisions for officers, directors, and employees, it provides no such protection from criminal and civil liability for the reporting entity itself. The GOC should establish broader safe harbor provisions and consider establishing enhanced due diligence requirements for domestic PEPs.

Cambodia's AML/CFT law allows for assets relating to ML or TF to be frozen until the decision of the court, but the AML/CFT regime lacks a clear system for identifying, seizing, and sharing assets with foreign governments.

Cambodia has developed and committed to an action plan to address noted deficiencies. The action plan focuses on: adequately criminalizing money laundering and terrorist financing; enhancing measures to confiscate assets and freeze terrorist funds; improving FIU capacity; and implementing a cross border declaration system to address money laundering and terrorist financing.

Cameroon

A major regional financial center within the context of Central Africa, Cameroon is increasingly involved in international financial transactions, particularly since electronic money transfers are becoming more common and “mobile money” has been approved. Cameroon has also issued its first sovereign bonds, available to both foreign and domestic investors. As a member of the Economic and Monetary Community of Central African States (CEMAC), Cameroon shares a regional Central Bank (Bank of the States of Central Africa – French acronym BEAC) with other member countries which have ceded banking regulatory sovereignty to CEMAC. Cameroon borders countries to the north where terrorist acts have occurred. This activity as well as piracy along the coast present vulnerabilities and may facilitate the movement and activities of terrorists and drug trafficking organizations. Instability in neighboring countries and the use of a common currency have resulted in Cameroon being used as a conduit to move funds from those countries to Europe. Cameroon’s economy is heavily cash dependent. Business executives and government officials alike carry large amounts of cash when they travel to settle transactions. Trade-based money laundering is rampant, utilizing the banking system or microfinance institutions. Cameroon is particularly vulnerable to the abuse of cross-border bulk currency movements and exploitation by/of companies transferring money internationally. Most foreign currency transactions are in euros.

Most financial crimes occurring in Cameroon are derived from domestic corruption and embezzlement rather than external malfeasance; authorities suspect offshore transfers by government officials in some corruption cases. Laundering money through investment in real estate is a growing problem. Cameroon is not a major narcotics destination.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: The treasuries of CEMAC member states; BEAC; banks and financial institutions; insurance brokers and firms; manual money changers; managers, directors and owners of casinos and gaming establishments; notaries public, accountants, auditors, tax advisors, and lawyers; securities or asset managers and brokers; company formation agents and managers; trusts; real estate agents; companies that transport and transfer funds; travel agencies; dealers in high value goods, metals and precious stones, and automobiles; and the Douala Stock Exchange

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 80 through October 31, 2011
Number of CTRs received and time frame: More than 2 million in both 2010 and 2011
STR covered entities: The treasuries of CEMAC member states; BEAC; banks and financial institutions; insurance brokers and firms; manual money changers; managers, directors and owners of casinos and gaming establishments; notaries public, accountants, auditors, tax advisors, and lawyers; securities or asset managers and brokers; company formation agents and managers; trusts; real estate agents; companies that transport and transfer funds; travel agencies; dealers in high value goods, metals and precious stones, and automobiles; and the Douala Stock Exchange

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES ***Other mechanism:*** YES

With other governments/jurisdiction: YES

Cameroon is a member of the Central African Action Group against Money Laundering (French acronym GABAC), an entity in the process of becoming a Financial Action Task Force (FATF)-style regional body (FSRB). It has undergone a mutual evaluation, but the report has not to date been published.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Cameroon (GOC) should work with BEAC, the Central African Banking Commission, and the National Financial Investigations Unit (ANIF), Cameroon's FIU, to fully develop and implement applicable regulations to establish a complete AML/CFT regime that comports with international standards. These same entities also should provide training and outreach to covered entities regarding their legal requirements and obligations.

Although ANIF holds frequent seminars with the obliged entities mentioned above, it also should work to improve coordination with law enforcement and judicial authorities, with the objective of enhancing investigations and obtaining convictions, as well as tracking law enforcement statistics. Cameroon's Ministry of Justice does not keep statistics on prosecutions and convictions for financial crimes. The Ministry of Justice should begin tracking cases more closely and providing closer cooperation with ANIF to improve STR information gathering. In the perceived absence of substantial money laundering prosecutions, the Ministry of Justice should explore training needs for prosecutors and magistrates. The GOC also should continue to work toward implementing cross-border currency reporting requirements and training its agents at points of entry in the identification and interdiction of cash smuggling.

Cameroon's law allows information sharing on a reciprocal basis. The GOC should increase international cooperation and exchange of intelligence information in the North and Far North Region, as well as along the coast. As a member of GABAC, Cameroon should continue to work with other member countries and with the Secretariat to make this regional body a recognized FSRB.

Canada

Money laundering activities in Canada are primarily a product of illegal narcotics, psychotropic substances, or chemical precursors. In the UN's 2009 and 2011 World Drug Reports, Canada is cited as the leading supplier of ecstasy in North America as well as a major producer and shipper of methamphetamine for markets around the world. The criminal proceeds laundered in Canada derive primarily from domestic activity which is controlled by drug trafficking organizations and organized crime.

Canada does not have a significant black market for illicit or smuggled goods. Cigarettes are the most commonly smuggled good in the country. There are indications that trade-based money laundering occurs in the jurisdiction. There is no certainty that this activity is tied to terrorist financing activity.

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For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks and credit unions; life insurance companies, brokers, and agents; securities dealers; casinos; real estate brokers/agents; agents of the Crown; money services businesses; accountants and accounting firms; lawyers; dealers in precious metals and stones; and notaries in Quebec and British Columbia

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 1,616 in 2011
Number of CTRs received and time frame: 3,049 in 2011
STR covered entities: Banks and credit unions; life insurance companies, brokers, and agents; securities dealers; casinos; real estate brokers/agents; agents of the Crown; foreign exchange and money services businesses; accountants and accounting firms; lawyers; dealers in precious metals and stones; and notaries in Quebec and British Columbia

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 35 through 2010
Convictions: One

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES
With other governments/jurisdictions: YES

Canada is a member of the Financial Action Task (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/document/58/0,3746,en_32250379_32236963_40199098_1_1_1_1,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Reported incidents involving money laundering have increased substantially in Canada over the last decade. The vast majority of money laundering cases in Canada, however, have failed to lead to convictions. Statistics Canada reported in 2011 that out of 29 cases involving money laundering in 2009 and 2010, only 34% resulted in a conviction. The same report indicated that many cases of money laundering go unsolved in Canada. Canadian law enforcement was able to identify a suspect in only 18% of reported money laundering cases in 2009. 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.

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The Financial Transactions Reports Analysis Centre of Canada (FINTRAC) is Canada's financial intelligence unit. FINTRAC plays a central role in Canada's fight against money laundering and terrorism. The time between FINTRAC's initial receipt of STRs and the conclusion of an investigation can be quite lengthy, a noted criticism (average number of days for a report dropped from 68 to 56 from 2010-2011).

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

Deficiencies have been identified in Canada's anti-money laundering/counter-terrorist financing regime relating to its customer due diligence obligations. In 2011, the Canadian government proposed changes to the Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations in order to address those deficiencies and to improve Canada's compliance with international standards. The proposed changes would require reporting entities to better identify customers and understand their business, which will consequently enable them to identify transactions and activities that are at greater risk for money laundering or terrorist financing.

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 its work to strengthen its AML/CFT measures within the casino industry and reduce the length of time needed for FINTRAC to prepare reports used by law enforcement authorities. 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.

Cape Verde

As a small archipelago nation off the west coast of Africa, Cape Verde is not known as a regional financial center. Nevertheless, given its location between Latin America and Africa, its significant coastline, and a large shadow economy, Cape Verde remains vulnerable to money laundering operations and terrorist financing. At present, the vast majority of laundered proceeds come from narcotics trafficking. Because of its location in the Atlantic Ocean, along major trade routes, Cape Verde is an important transit country for narcotics headed for Europe from South America via Africa. Narcotics transit Cape Verde by commercial aircraft and maritime vessels, including yachts.

There is no significant market for illicit or smuggled goods in Cape Verde; most drugs/trafficking are destined for other markets. As a result of drug trafficking, the formal financial sector may be involved in money laundering, but there is no evidence that it finances terrorism. Public corruption is very limited and does not appear to contribute to money laundering/terrorist financing in Cape Verde. In fact, in 2011 Cape Verde ranked 41st on Transparency International's Corruption Perception Index, second among African nations.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, money exchangers, accountants and fiscal consultants, notaries, insurance companies, lawyers, real estate or property brokers, dealers in precious metals and stones, gaming centers, auto dealers and securities dealers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 67 in 2011

Number of CTRs received and time frame: CTRs and STRs are not differentiated.

STR covered entities: Banks, money exchangers, accountants and fiscal consultants, notaries, insurance companies, lawyers, real estate or property brokers, dealers in precious metals and stones, gaming centers, auto dealers and securities dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Five from January to September 2011

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Cape Verde is a member of the Inter Governmental 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: www.giaba.org

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

As of the end of 2011, proposed new legislation would seek to restructure the current Financial Information Unit, the financial intelligence unit (FIU), and adopt a judicial form. This should help the FIU overcome some of its shortcomings and have a more active role in the fight against money laundering. With the approval of this legislation, the FIU would report directly to the Ministry of Justice.

Government entities responsible for analyzing and investigating money laundering and terrorist financing are understaffed and their personnel lack the training and capacity to fully enforce the law. Limited resources hamper the government’s ability to enforce AML regulations, and local institutions are often unaware of their reporting responsibilities.

Cape Verde should take steps to criminalize terrorist financing and include suspected terrorist financing activity within its reporting requirements. Cape Verde also should criminalize tipping off and provide for the ability to freeze and seize assets that are the proceeds or instruments of illegal activity.

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

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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 jurisdictions.

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 250 banks, 150 active trust licenses, 730 captive insurance companies, nine money service businesses, and more than 85,000 companies licensed or registered in the Cayman Islands. According to the Cayman Islands Monetary Authority, at year end 2010, there were approximately 9,000 registered mutual funds, of which 435 were administered and 133 were licensed. 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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 353 between April 2010 and March 2011.
Number of CTRs received and time frame: Not applicable
STR 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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Eight between 2003 - 2010
Convictions: One since 2006

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** 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 Cayman Islands 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 conviction in the last four years.

International reporting suggests agents for private trust companies and individuals carrying on trust businesses may not consistently maintain identity and ownership information for all express trusts for which they act as trustees. In addition, there remains a lack of penalties for failing to report ownership and identity information, which undermines the effectiveness of identification obligations. This is a particular problem for an estimated 3,000 unregulated mutual funds resident in the Cayman Islands. There also is a need to pay greater attention to the risks and proper supervision of non-profit organizations.

The Cayman Islands continues to develop its network of exchange of information mechanisms. Since 2010, the Cayman Islands has signed a further five tax information exchange agreements, with Canada, Mexico, Japan, India and South Africa, which meet the international standard. It now has a network of 24 information exchange agreements, with 12 of those already in force.

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.

Central African Republic

The Central African Republic (CAR) is not a major financial center and has an extremely limited banking sector. The economy is almost entirely cash-based and enforcement of existing anti-money laundering laws is weak at best. The CAR is a member of the Economic and Monetary Community of Central Africa (CEMAC) and shares a regional bank (BEAC) with other members.

Smuggling of contraband, including diamonds and arms, occurs across the unsecured border areas with Chad and Sudan. Undocumented trade across the river with Democratic Republic of Congo, which consists primarily of timber, domestic, and agricultural goods, also occurs. The CAR is also a source and transit country for the trafficking of persons. The CAR's weak security forces have limited presence and cross-border activities are easily conducted.

There is little information on the extent of the drug trade in the CAR or any financial transactions which occur as a result. However, given the extremely limited scope of the financial sector, government authorities have expressed confidence in their ability to spot anomalies or significant suspicious banking transactions.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF

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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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Public treasuries, financial institutions, micro-finance organizations, money exchange and transfer companies, casinos, notary offices, real estate and travel agencies, accounting and auditing offices, merchants

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, micro-credit organizations, merchants, public treasuries and money exchanges

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None
Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

The CAR is a member of the Central African Action Group against Money Laundering (French acronym GABAC), an entity in the process of becoming a Financial Action Task Force (FATF)-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Within CEMAC, two bureaus are concerned with money laundering and terrorist financing; the Banking Commission of Central Africa (COBAC) and the GABAC.

Officials from BEAC and CEMAC state that money laundering activity has not been observed in the CAR and the small scale of the banking sector effectively discourages the movement of large sums through its system. Still, the CAR is a weak state, and oversight and enforcement of regulations is lax in most areas of governance.

The CAR has taken steps to establish an FIU but it is not operational due to lack of funding and staff. The CAR lacks the capacity and political will to supervise financial activity and enforce legislation, and the responsibility to do so is ill-defined between the relevant enforcement bodies. Insufficient data and transparency make it difficult to assess the effectiveness of the CAR’s anti-money laundering efforts.

Widespread corruption permeates commerce and government. The CAR is ranked 154 out of 183 countries in Transparency International’s 2011 Corruption Perception Index.

Chad

Chad has a small and relatively weak financial services sector. It does not serve as a regional financial center. The economy is largely cash-based with few transactions passing through formal financial institutions. The banking system in Chad is under-regulated, underdeveloped, and overexposed to parastatals.

Contraband and smuggling vary by region in Chad. Along the southern and western borders, the contraband goods market consists largely of foodstuffs, cigarettes, fuel, and household items smuggled to avoid import duties. Across Chad's northern desert, which is sparsely populated and transected by Sahelian trade routes, smuggled items include drugs and weapons. Some of these items transit Chad rather than remain in the domestic market.

Since the country does not have a significant illegal drug market, there is no indication that smuggling of household goods is financed by proceeds from narcotics or other illicit activities. Proceeds that may be derived from the illegal drug trade in Chad do not appear to enter Chad's financial system. However, there is little quantitative information available on these activities or their financing. Corruption is widespread throughout the economy and political 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: List Approach
Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC Covered entities: Public treasuries, banks, micro-finance organizations, money exchange and transfer companies, casinos, notary offices, real estate and travel agencies, accounting and auditing offices, merchants

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not applicable
STR covered entities: Public treasuries, banks, micro-finance organizations, money exchange and transfer companies, casinos, notary offices, real estate and travel agencies, accounting and auditing offices, merchants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Five in 2010
Convictions: Five in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES
With other governments/jurisdictions: YES

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Chad is a member of the Action Group against Money Laundering in Central Africa (French acronym GABAC), an entity in the process of becoming a Financial Action Task Force (FATF)-style regional body (FSRB).

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Chad is a member of the six-country Central African Economic and Monetary Union (CEMAC). Within CEMAC, two bodies address money laundering: the Banking Commission of Central Africa (COBAC) and GABAC. GABAC works directly with Chad's National Financial Investigative Agency (ANIF).

ANIF faces serious resource constraints, and law enforcement and customs officials need training in financial crimes enforcement. Financial intelligence reporting and analysis is limited. Chad does not have cross-border currency reporting. In 2011, Chad agreed to assist in one U.S. investigation. Chad was ranked 168 of 183 countries in Transparency International's 2011 Corruption Perception Index. Chad should become a party to the UN Convention against Corruption.

Chile

Chile has a large and well-developed banking and financial sector with an established anti-money laundering/counter-terrorist financing (AML/CFT) regime. Systematic vulnerabilities in Chile's regime include stringent bank secrecy laws and relatively new regulatory institutions in which oversight gaps remain. Chile has free trade agreements with more than 50 countries. Increased trade and currency flows, combined with an expanding economy, could attract illicit financial activity and money laundering. Given Chile's extensive trading partnerships and long borders, its largely unregulated free trade zones are additional vulnerabilities. Illicit proceeds from internal drug trafficking and domestic consumption are laundered in the country. Relatively limited incidences of public corruption demonstrated no significant link to money laundering or terrorist financing in Chile. There is no significant market for illicit or smuggled goods in Chile.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

Covered entities: Banks (checking but not savings accounts), credit unions, pension funds, mutual fund administrators, brokers and dealers, leasing and factoring companies, credit card issuers and operators, insurance brokers and companies

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 525 from January to June 2011

Number of CTRs received and time frame: Not available

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STR covered entities: Banks; savings and loan associations; financial leasing companies; general, mutual, and investment funds managers; pension fund administration companies; the Foreign Investment Committee; money exchange firms and other entities authorized to receive foreign currencies; factoring operations; credit card issuers and operators; securities brokers and agents; money transfer and transportation companies; stock exchanges; insurance companies; forwards and options market operators; tax-free zones' legal representatives; casinos, gambling houses and horse tracks; customs general agents; auction houses; realtors and land developers; notaries and registrars; and sports clubs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 27 from January to June 2011

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdiction: YES

Chile 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/microsite/index.htm>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Chile's (GOC) anti-money laundering efforts continue to mature. The most significant obstacle to money laundering investigations in Chile is bank secrecy. Article 154 of the General Banking Law places all types of bank deposits and obligations under bank secrecy, and only allows banking institutions to share information about such transactions with the depositor or creditor (or an authorized legal representative). Law 707 states that banks may not share information about the movement and balances in a current account with a third party. Due to these legal restrictions, banks do not share information with prosecutors without a judicial order. Some banks and their compliance officers aggressively apply rigorous, international AML/CFT standards, but they are restricted to simply reporting suspicious activity and then waiting for the appropriate court authorization to release any private information. Other banks are slow to reply to court orders to provide prosecutors with additional information. Judges can detain the bank's general manager until all information is disclosed, but this tool is rarely used. In instances when a judge has issued an order for the general manager's detention, bank information was provided immediately. Tax authorities are allowed access to bank information without a judicial order under certain circumstances.

In April, 2011 trafficking in persons was added as a predicate offense for money laundering.

The GOC can improve its AML/CFT regime by establishing regulatory control over non-bank institutions, such as money exchange houses and charities, and passing the draft law currently pending in the Senate to allow for the lifting of bank secrecy and the freezing of assets to bring Chile closer to compliance with its UNSCR 1267 obligations and international standards. Chile should do more to investigate complex money laundering schemes, such as trade-based money laundering.

China, People's Republic of

China is swiftly becoming 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

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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), real estate, and both the formal and underground banking systems.

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 is not a major offshore financial center. 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.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks, securities dealers, insurance companies

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 61,852,018 in 2010
Number of CTRs received and time frame: China does not separate STRs and CTRs
STR covered entities: Banks, securities dealers, and insurance companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: 11,456 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES
With other governments/jurisdictions: YES

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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:

In 2011, the Government of China (GOC) adopted special legislation that defines the legal scope of “terrorist activities” related to the crime of terrorist financing (among other crimes) and provides the legal basis for the establishment of a national, interagency terrorist asset freezing body that, if robustly implemented, should bring China into greater compliance with the requirements of UNSCRs 1267 and 1373.

The GOC should strengthen AML/CFT enforcement efforts to keep pace with the sophistication and reach of criminal and terrorist networks. Although 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 and uniformly implement the mandatory confiscation laws. China also should enhance coordination among its financial regulators and law enforcement bodies to better investigate and prosecute offenders. China’s Ministry of Public Security should continue ongoing efforts to develop a better understanding of how AML/CFT tools can be used to support the investigation and prosecution of a wide range of criminal activity.

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. In addition to the lack of law enforcement based cooperation, the GOC’s inability to enforce U.S. court orders or judgments obtained as a result of non-conviction based forfeiture actions against China-based assets remains a significant barrier to enhanced U.S. - China cooperation in asset freezing and confiscation.

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 consistently seek to expand cooperation with Chinese counterparts on AML/CFT matters and to strengthen both policy- and operational-level cooperation in this critical area. While China continues to make significant improvements to its AML/CFT legal and regulatory framework and is gradually making progress toward meeting the international standards, implementation, particularly in the context of international cooperation, remains lacking.

Colombia

The Government of Colombia (GOC) is a regional leader in the fight against money laundering and terrorist financing. 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. Laundered funds also are derived from commercial smuggling for tax and import duty evasion; kidnapping; arms trafficking; and terrorism connected to violent, illegally-armed groups and guerrilla organizations, including U.S. Government-designated terrorist organizations.

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 (BMPE), bulk cash smuggling, wire transfers, remittances, smuggled merchandise (contraband) and more recent methods, such as

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through the securities markets (both U.S. and Colombian), casinos, electronic currency and prepaid debit cards as well as illegal mining. Criminal elements have used the banking sector, and Colombian money brokers, primarily concentrated in Bogota, but also in Medellin and Cali, are additional entities that facilitate money laundering activities. The trade of counterfeit items in violation of intellectual property rights is an ever increasing method to launder illicit proceeds. Casinos, free trade zones (FTZs) and the postal money order market in Colombia present opportunities for criminals to take advantage of inadequate regulation and transparency.

Money laundering also has occurred via trade and the non-bank financial system, especially transactions that support the informal or underground economy. Trade-based money laundering by Colombian organizations with connections to Mexico, China, Ecuador, Peru and Panama has grown exponentially in recent years. In the BMPE, or trade-based money laundering scheme, goods from abroad (China has replaced 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. According to people who have worked for years in the BMPE industry, evasion of the normal customs charges is frequently facilitated through the corruption of Colombian oversight authorities by the drug and money laundering groups.

Official corruption has also aided money laundering and terrorist financing in geographic areas controlled by the Revolutionary Armed Forces of Colombia (FARC). Although corruption of government officials remains a problem, President Juan Manuel Santos has taken a hard line on corruption and has demonstrated that he is serious about punishing corrupt officials at the highest level. Since Santos entered office, four former ministers, three former security directors of the Administrative Department, and other government officials have been dismissed from office, taken to court, or jailed.

In 2005, Colombia's Congress passed a comprehensive FTZ modernization law that opens investment to international companies, allows one-company or stand-alone FTZs, and permits the designation of pre-existing plants as FTZs. As of September 2011, there are 91 FTZs in Colombia. Companies within FTZs enjoy a series of benefits such as a preferential corporate income tax rate and exemption from customs duties and value-added taxes on imported materials. The Ministry of Commerce administers requests for establishing FTZs, but the government does not participate in their operation. The DIAN (Colombia's Tax and Customs Authority), regulates activities and materials in FTZs, and there are identification requirements for companies and individuals who enter or work in the FTZs. The Santos Administration is revising the FTZ and tax exemption scheme in order to limit their use in the near future.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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KYC 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

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 4,904 January through August 2011

Number of CTRs received and time frame: 98,076 January through August 2011

STR covered entities: Banks, securities broker/dealers, trust companies, pension funds, savings and credit cooperatives, depository and lending institutions, lotteries and casinos, vehicle dealers, currency dealers, importers/exporters and international gold traders

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 115 in 2010

Convictions: 95 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Colombia is a member of GAFISUD, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.gafisud.info/pdf/InformededevaluacinMutuaRepblicadeColombia_1.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Colombia continues to make progress in the development of its financial intelligence unit, regulatory framework and interagency cooperation within the government. However, referrals from the Colombian UIAF (Financial Intelligence Unit) to the public ministry for ML/TF cases substantially decreased in 2011 and therefore prosecutions have decreased as well. Placing greater focus and priority on money laundering investigations, including increasing resources and training, will be necessary to ensure continued and improved progress. The GOC should take steps to foster better interagency cooperation, including coordination between the UIAF, Colombia's financial intelligence unit; National Police; Colombia's Trade Transparency Unit; and the tax and customs authority in order to combat the growth in contraband trade to launder illicit drug proceeds. Congestion in the court system, procedural impediments, and corruption remain problems that need to be addressed.

Colombian law lists specific predicate crimes upon which it bases money laundering violations. The included crimes generally involve illegal armed groups and criminal syndicates and their related activities.

The Colombian legal system has evolved with the introduction of the adversarial oral system. Related to this, the Prosecutor General's Office (Fiscalia), has undergone a transformation that has resulted in the loss of significant institutional knowledge and professional ability. This has been due, in large part, to a court decision requiring staffing changes whereby many experienced prosecutors were let go and new hires replaced them. The office is in the process of reconstructing its capabilities, but its effectiveness has been affected.

The Colombian Superintendency of Companies (SuperSociedades) has been working on new anti-money laundering regulations and know-your-customer regulations for the private sector that should be announced by the end of 2011.

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While the Colombian financial system has banking controls and government 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.

Colombian law is unclear on the government's authority to block assets of individuals and entities on the UN 1267 Sanctions Committee's consolidated list. Banks are able to close accounts, but not to seize assets. Colombian law should be clarified to spell out the government's authority to block assets of individuals and entities on the UN 1267 Sanctions Committee's consolidated list.

The GOC should put in place streamlined procedures for the liquidation and sale of seized assets under state management and should revise procedures to permit expedited forfeiture of seized assets. A five to 15 year time frame for forfeiture opens opportunities for waste, fraud and abuse while limiting the deterrent effect that could result from rapid asset forfeiture. Colombian prosecutors could take steps to not only seize the physical assets (real property) of narcotics traffickers but also seize their bank accounts in Colombia. This element is frequently not a part of regular Colombian asset seizure operations. In addition, the GOC should increase the number of judges that oversee asset forfeiture and money laundering cases to expedite the judicial process.

The GOC works extensively with U.S. law enforcement agencies to identify, target and prosecute groups and individuals engaged in financial and drug crimes. The GOC should explore steps to foster increased cooperation between the UIAF and the U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN) and Office of Foreign Assets Control (OFAC) as case exchanges substantially decreased in 2011.

Comoros

The Union of the Comoros (Comoros) consists of three islands: Ngazidja (Grande Comore), Anjouan and Moheli, and claims a fourth (Mayotte), which France governs. Although Comoros lacks homegrown narcotics, the islands are used to transit drugs, mainly from Madagascar and continental Africa. Comoros is not a financial center for the region. The Comoran financial system is underdeveloped and thus minimizes the risk of some money laundering activities. Neither Union nor island government authorities have the means to estimate the income gained from predicate offenses committed within the country. Nevertheless, due to the low level of development in Comoros, illicit income appears to be limited. The main income-producing predicate offenses are narcotics trafficking, migrant smuggling, and corruption.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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KYC covered entities: Banks, mutual savings and loans, microfinance institutions, money remitters, real estate agents, lawyers, notaries, accountants, casinos, and dealers in precious metals and stones

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Six in 2010 and 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, mutual savings and loans, microfinance institutions, money remitters, insurance companies, real estate agents, lawyers, notaries, accountants, company and trust service providers, and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Comoros is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG). Its most recent mutual evaluation can be found here:

http://www.esaamlg.org/userfiles/Comoros_Mutual_Evaluation_Detail_Report.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Comoros remains a significantly underdeveloped country with little financial intermediation or sophistication. Comoros has introduced a number of measures to establish an anti-money laundering/combating the financing of terrorism (AML/CFT) regime. Despite paper progress suggesting compliance with international norms, difficulties brought on by insufficient budgetary discipline, dysfunctional ministries, corruption, and a weak judiciary limit the Comoran AML/CFT efforts. Limited resources and a centralized state that is largely unable to carry out the tasks of a national government hamper the authorities' ability to enforce the AML/CFT regulations. Government employees are not paid, and local institutions and personnel lack the training and capacity to enforce the law. Comoran government security forces have limited resources and lack training in money laundering, counter-terrorist financing and maritime security. There have been no investigations or convictions for money laundering or terrorist financing.

The financial intelligence unit (FIU) became operational in 2010.

The law on economic citizenship might be attractive to criminals, particularly since the law permits citizenship to those who have been convicted of money laundering or drug trafficking, among other crimes. Authorities state they have implemented strict control measures intended to prevent abuses.

Comoros is ranked 143 out of 183 countries in Transparency International's 2011 International Corruption Perception Index. Comoros should become a party to the UN Convention against Corruption.

Congo, Democratic Republic of

The Democratic Republic of Congo (DRC) is not considered an important regional financial center. The DRC's economy remains highly dollarized, and its parallel foreign exchange market is large and tolerated by the government. The largest banknote in circulation is the 500 Congolese franc note (approximately

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\$.50); larger denominations (1,000 Congolese francs and 5,000 Congolese francs) may be put into circulation sometime in the future, but the government is reticent to do so because of inflationary fears. The DRC does not have any free ports or areas designated as free trade zones.

Due to its large geographic size, lack of a functional judicial system, inefficient and burdensome customs and tax policies, chronically low wages, and dominant informal sector, the DRC is particularly vulnerable to money laundering. The DRC has 7,000 km of porous borders with nine countries. State authority and administration is weak because of its vast geographic territory and dilapidated infrastructure, among other challenges. Most economic activity in the DRC takes place in the informal sector, estimated to be up to ten times the size of the formal sector, with most transactions, even those of legitimate businesses, carried out in cash. The accurate reporting of revenues is thus very difficult. Major sources of money laundering in the DRC include illegal import/export activities, customs and tax fraud, tax evasion, misappropriation of public funds, exploitation of minerals and other valuable materials, casinos, the sale of prohibited products and services, and bribery. Money laundering in the DRC is neither primarily nor significantly related to narcotics proceeds. Gold and diamonds are extensively mined in and routinely smuggled out of the DRC, and most of those cash transactions take place in dollars.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Congolese Central Bank (BCC), financial and credit institutions, money and funds transfer firms, financial companies, microfinance institutions, money exchangers, insurance companies, leasing companies, financial intermediaries, postal checking systems, transferable securities and stock exchange market operations, gaming companies, notaries, lawyers, real estate agencies, travel agencies, auditors, certified public accountants, tax consultants, and sellers of works of art, antiques and precious stones

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 170 in 2011
Number of CTRs received and time frame: Not applicable
STR covered entities: BCC, financial and credit institutions, money and funds transfer firms, financial companies, microfinance institutions, money exchangers, insurance companies, leasing companies, financial intermediaries, postal checking systems, transferable securities and stock exchange market operations, gaming companies, notaries, lawyers, real estate agencies, travel agencies, auditors, certified public accountants, tax consultants, and sellers of works of art, antiques and precious stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Two in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** YES

With other governments/jurisdictions: YES

The DRC is not a member of a Financial Action Task Force (FATF)-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Banks and non-banking financial institutions are required to report all transactions over \$10,000. Banks find this requirement burdensome, since 90% of transactions using the banking system meet this threshold. New computerized communications and accounting networks have been installed in banks, which will make it easier to trace formal financial transactions. In 2008, the Government of the Democratic Republic of the Congo (GDRC) established a financial intelligence unit (CENAREF) to combat money laundering and misappropriation of public funds. CENAREF is responsible for collecting and analyzing information and conducting investigations on money laundering (ML) and terrorist financing (TF) cases, and advises the GDRC on how to combat ML and TF.

Limited resources hamper the government's ability to enforce AML regulations, and local institutions and personnel lack training and capacity to fully enforce the law and its attendant regulations. Lack of funding continues to prevent CENAREF from fully carrying out its responsibilities. A weak judicial system also impedes enforcement of AML regulations. Corruption is a severe problem. The DRC is ranked 168 out of 183 countries in Transparency International's 2011 Corruption Perception Index.

Even though the DRC does not have formal exchange mechanisms with the United States, CENAREF does occasionally share information with the U.S. on money laundering and terrorism finance cases. There are no legal restrictions in the DRC prohibiting the sharing of financial account information with foreign entities. In 2011, the DRC signed a mutual assistance agreement with Belgium's CTIF (Cellule des Traitements des Informations Financières).

The GDRC should become party to the UN Convention against Corruption and the UN Convention against Transnational Organized Crime.

Congo, Republic of

The Republic of the Congo (ROC) is not a major regional financial center, nor is it a major narcotics destination or source country. The port city of Pointe Noire is frequently utilized as a transit point for narcotics en route to Europe. The ROC, as part of the Euro-CFA Zone Agreement, deposits reserves with the Bank of Central African States (BEAC), a regional Central Bank serving six Central African countries. BEAC operates the Economic Intervention Service that harmonizes the regulation of currency exchanges in the member states of the Central African Economic and Monetary Community (CEMAC). The BEAC supervises the ROC's banking system, though not particularly closely. The ROC's economy is cash-dependent, relying very little on electronic transfers and checks. Business executives and government officials frequently travel and carry large quantities of cash in order to settle transactions. Most financial crimes involve domestic corruption and embezzlement. Laundering money through real estate investments is a growing problem.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF

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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 available
Legal persons covered: *criminally:* YES *civily:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks, money exchangers, accountants, notaries, thrifts and money remitters

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, money exchangers, accountants, notaries, money remitters, jewelry shops, car dealers, casinos and law firms

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES
With other governments/jurisdictions: YES

The ROC is a member of the Central African Action Group against Money Laundering (French acronym GABAC), an entity in the process of becoming a Financial Action Task Force (FATF)-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Transparency and corruption remain significant problems. For example, in 2010, the International Monetary Fund (IMF) discovered the ROC had diverted reserves to several Chinese bank accounts, although the reserves should have been deposited in the BEAC. Upon discovery of the illegal fund transfer, the IMF called for a repatriation of these funds to the BEAC. The ROC complied in mid-2011, but evidence suggests that additional diversions have since occurred. Several ROC officials are former well-placed BEAC officials, and there are concerns the embezzlement scandals at the BEAC between 2004 - 2008 involved current ROC officials. The ROC is ranked 154 out of 183 countries in Transparency International’s 2011 Corruption Perception Index.

As a member of the CEMAC, the country adopted the community’s 2007 regional anti-money laundering/counter-terrorist financing (AML/CFT) regulations. These rules establish penalties for money laundering and terrorist financing, and also regulate the operations of banks, money changers, and casinos. In 2008, the Government of the Republic of Congo (GROC) formed a special committee to handle both corruption and money laundering issues called the Agence Nationale d’Investigation Financière (ANIF).

The ROC has most of the necessary legal, regulatory and institutional frameworks to combat international financial crimes. These institutions nonetheless are often staffed with poorly trained employees. There is little initiative or financial crimes enforcement authority. A lack of transparency, reliable statistics and data hamper the assessment of the GROC’s AML/CFT programs.

The GROC should become a party to the UN Convention against Transnational Organized Crime.

Cook Islands

The Cook Islands is not a regional financial center and has no free trade zones. The proceeds of domestic crime are generally small. There is evidence of concealment stemming from drug and misappropriation cases, with total proceeds that are significant relative to the size of the economy. The Cook Islands substantial offshore financial sector is an important part of the country's economy, but also represents its most significant vulnerability to money laundering and terrorist financing activities. The Government of the Cook Islands (GOCI) has taken steps to reduce the risks presented by both the offshore sector and its small domestic financial sector.

The large offshore financial sector developed from legislation enacted in the early 1980s, which allows the operation of international companies and trusts, including offshore banks and insurance companies. All offshore business conducted from the Cook Islands must be channeled through registered trustee companies. Currently there are six registered trustee companies and four international banks. One of the domestic banks also has an international license. The industry provides a wide range of trustee and corporate services to offshore investors with a tax rate for all offshore entities of zero, guaranteeing tax neutrality.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks (domestic and offshore), offshore insurers and trustee companies

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks (domestic and offshore), offshore insurers and trustee companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other: YES
With other governments/jurisdictions: YES

The Cook Islands 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/Cook%20Islands%20MER-%20final%20140809.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Cook Islands has a generally well-supervised financial industry. The GOCI has significantly enhanced supervision of both the domestic and offshore sectors in the past three years, including the performance of annual on-site examinations of all domestic and offshore financial institutions. Large cash transactions involving locally generated funds are immediately apparent, and suspicious transactions are reported to the Cook Islands Financial Intelligence Unit for further review.

The Cook Islands tightened its legislation and regulations to more closely reflect international standards. GOCI officials note that the remaining money laundering and terrorist financing risks stem from the lower KYC standards and the provision of false information to Cook Islands financial institutions by businesses and customers in other jurisdictions, particularly in Asia.

The Cook Islands should become party to the UN Convention against Corruption.

Costa Rica

While not a major regional financial center, Costa Rica remains vulnerable to money laundering and other financial crimes, including various schemes that target U.S.-based victims. Money laundering activities are primarily related to the foreign proceeds of international trafficking in cocaine. A sizeable internet gaming industry also launders millions of dollars in illicit proceeds through Costa Rica and offshore centers annually. To a lesser extent, proceeds are laundered in Costa Rica from domestic criminal activities, including trafficking narcotics, persons or arms; fraud; corruption; and contraband smuggling. A significant market exists in the smuggling of contraband liquors from bordering countries. 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.

Money laundering occurs across the formal financial sector; the non-financial sector, especially via both licensed and unlicensed money remitters; and within the free trade zones (FTZs). Nicaraguan nationals residing in Costa Rica send over \$200 million in remittances annually to family members in their home country, much of which is sent via unlicensed money remitters. Both these unlicensed and licensed money services businesses are a significant risk for money laundering and a potential mechanism for terrorist financing. In addition, Costa Rica's 35 FTZs, used by approximately 284 companies, are susceptible to money laundering. The smuggling of bulk currency across borders with Panama and Nicaragua is also prevalent. Trade-based money laundering, while utilized, has not been detected with the same frequency as the other typologies described above. The GOCR has not reported investigations of terrorism financing in 2011.

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 ***civily:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Money Laundering and Financial Crimes

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

KYC covered entities: Banks, credit institutions, and savings and loan cooperatives; pension funds; insurance companies and agents; money exchangers and remitters; trust managers, investment fund and safekeeping companies; issuers, sellers or redeemers of travelers checks and postal money orders; and securities dealers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 294 from January – September 2011

Number of CTRs received and time frame: Not available

STR covered entities: Banks, credit institutions, and savings and loan cooperatives; pension funds; insurance companies and agents, money exchangers and remitters; trust managers, investment fund and safekeeping companies; issuers, sellers or redeemers of travelers checks and postal money orders; and securities dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Nine from December 2010 to October 2011

Convictions: Two from December 2010 to October 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES

With other governments/jurisdictions: YES

Costa Rica is a member of the Financial Action Task Force on Money Laundering in South America (GAFISUD), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: <http://www.cfatf-gafic.org/mutual-evaluation-reports.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In October 2010, the Judicial Branch appointed a new Attorney General. As part of a subsequent restructuring, in December 2010, the Attorney General's Office (AGO) transferred the prosecution of money laundering cases from the Organized Crime Bureau to the Economic Crimes Bureau. In addition, the Attorney General appointed a new bureau chief to the renamed Economic Crimes, Taxation, and Money Laundering Bureau. Based on these changes, beginning in January 2011, there has been a significant emphasis placed on money laundering investigations, including those involving advanced typologies and transnational crime. Nevertheless, the AGO and the Judicial Police still lack adequate resources to effectively investigate and prosecute many of the complex money laundering cases linked to Costa Rica.

Moreover, the legal doctrine of "self-laundering" prevents prosecutors from charging money laundering in many cases. Under Costa Rican law, a person who commits a predicate crime and who subsequently launders the proceeds of that crime cannot be charged with money laundering as an additional offense (e.g., a drug dealer who is convicted on drug charges cannot also be prosecuted for laundering the drug proceeds). In Costa Rica, money launderers oftentimes use legitimate businesses and shell corporations to launder illegal proceeds. However, criminal liability does not extend to legal persons.

Land-based casinos and internet gaming companies are effectively not regulated in Costa Rica and represent a significant risk for money laundering. The online gaming industry transacts billions of dollars annually and employs thousands of Costa Rican nationals. Most of its proceeds are laundered in offshore centers but millions of dollars still circulate in Costa Rica.

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The GOCR reports that Costa Rican attorneys oftentimes conduct large cash purchases of real estate on behalf of persons located in the United States. While many of these transactions appear legal, the GOCR has concerns that some of the international wire transfers ostensibly for legitimate real estate transactions are, in fact, the proceeds of illegal activities in the United States.

In 2011, the GOCR pursued its first case under the 2009 civil forfeiture law. The presiding judge subsequently referred the case to the Costa Rican Supreme Court for an advisory opinion which has yet to be issued. It is still unclear whether the GOCR will assist other countries in obtaining non-conviction-based forfeiture.

While it has demonstrated a genuine commitment to strengthening its anti-money laundering/counter-terrorist financing (AML/CFT) regulatory regime, the GOCR has not fully implemented recently enacted risk-based regulations. The GOCR and its regulators have focused considerable attention on the formal financial sector; however, they have not adequately supervised money service businesses, especially money remitters, and issuers, sellers or redeemers of travelers checks and postal money orders. While the FIU is tasked with oversight authority with respect to these entities, it lacks the resources, personnel, or capacity to comply with this mandate. Additionally, designated non-financial businesses and professions (DNFBPs), such as dealers of precious stones and metals, accountants, real estate agents, lawyers and notaries, are not covered by the AML/CFT provisions.

Cote d'Ivoire

Following a civil war and a nine-year political/military crisis during which the country was split in two, President Ouattara was officially sworn in on May 6, 2011, and has established a new cabinet. Authorities are concerned by the illegal international transfer of funds by the elites of the previous regime. Former President Gbagbo, his wife, and other members of the former regime have been charged with economic crimes including aggravated theft and embezzlement of public funds. Despite this troubled situation, the Government of Cote d'Ivoire (GOCI) has made progress on its AML/CFT regime.

A legacy of poor governance and an abnormal political situation has left rule of law implementation poor. Ivoirians have become increasingly involved in regional criminal activities such as the smuggling of consumer goods and agricultural products, reportedly as part of networks organized by nationals from Nigeria and the Democratic Republic of the Congo, and the subsequent laundering of illicit funds. Smuggling over Cote d'Ivoire's porous borders, motivated principally by a desire to avoid taxes, generates illicit funds that are primarily laundered via informal money services businesses and exchange houses. In addition, authorities believe criminal enterprises use the formal banking system and the used car and real-estate industries to launder funds. Hizballah is present in Cote d'Ivoire and conducts fundraising activities, mostly among the large Lebanese expatriate community. The extent to which Ivorian territory is involved as a transshipment point for drugs from South America to Europe concerns law enforcement officials. Since 2008, the GOCI has been negotiating to purchase a site to build a free trade zone for information technology and biotechnology in Grand Bassam.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, other financial institutions, casinos and exchange houses

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 19 from January to October 2011

Number of CTRs received and time frame: Not available

STR covered entities: Banks, other financial institutions, exchange houses, stock brokerage firms, insurance companies, casinos, cash couriers, national lotteries, non-governmental organizations, travel agencies, art dealers, gem dealers, accountants, attorneys, and real estate agents

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 11 from January 2008 to October 2011

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES

With other governments/jurisdictions: YES

Cote d'Ivoire is a member of the Intergovernmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force (FATF)-style regional body. GIABA has not yet conducted a mutual evaluation of Cote d'Ivoire.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The banking sector caters largely to commercial enterprises rather than small-account holders. Many Ivoirians use informal money couriers, money transfer organizations, hawaladars and, increasingly, goods transportation companies to transfer funds domestically and within the region. There is no regulation of domestic money and value transfer services.

The economic police, responsible for investigating financial and white-collar crimes, have limited operations as a result of inactivity in the justice system. During the political/military crisis the justice system became highly politicized, and was largely absent in the CNO zones (central, north, west).

Cote d'Ivoire is still under sanctions imposed by the United Nations Security Council stemming from the civil war and political/military crisis. The sanctions include an arms embargo and a ban on the importation of rough diamonds from Cote d'Ivoire.

The AML law provides for the establishment of a financial intelligence unit (FIU) known as CENTIF. CENTIF can share information with other FIUs in the West African Economic and Monetary Union (WAEMU) and with those of non-WAEMU countries on a reciprocal basis and with the permission of the Ministry of Economy and Finance. A lack of resources, weak judicial and law enforcement systems, and weaknesses in the regulatory and legal framework on money laundering and terrorist financing constitute the major challenges for CENTIF.

Cote d'Ivoire should become a party to the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

Croatia

Croatia is not an offshore financial center. Croatian authorities consider most money laundering in the country to be of domestic origin, involving the proceeds of illegal domestic narcotics sales and economic crimes, such as fraud and tax evasion. Although Croatia is part of a major transit route for drugs entering Europe, there is little evidence that these networks have utilized Croatia's financial systems. Public corruption has been linked to money laundering, and numerous investigations are underway; however, direct links have yet to be proven.

Money laundering in Croatia occurs primarily through non-resident accounts, transfers to offshore banks using counterfeit documents, deposits in foreign currency accounts, and has often been linked to the real estate market and the purchase of high-end automobiles. Authorities have increased their efforts in the investigation of financial crimes. This trend reflects a greater push in the application of related legislation than an actual rise in such crimes. There is no indication that trade-based money laundering exists in Croatia.

There is not a significant black market in Croatia. Croatia does not represent a sizeable market for smuggled goods, but is used as a transit route for goods destined for other countries in the region. Croatian authorities are concerned about the use of Croatia's ports and borders for the smuggling of black market goods. The Export Border Security Office is working to tighten controls and screening to prevent such smuggling.

Croatia has 13 operating free trade zones (FTZs) designed to attract investment. Companies operating in the zones benefit from lower taxes and customs as well as value-added duty-free import of raw materials. Companies operating in FTZs are subject to the same regulation and supervision as all other businesses in the country.

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 *civily:* YES

KNOWYOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks, loan brokers, and lending companies; savings banks and credit unions; companies that issue payment instruments, rent safe-deposit boxes, or perform payment option services; the Croatian Post Office; investment fund and asset management companies; pension companies; companies authorized to do business with financial instruments; insurance companies and intermediaries; issuers of electronic money; authorized exchange offices; all gaming-related providers; pawnshops; leasing firms; guarantors; dealers in precious metals, gems, artistic or antique items; auctioneers; lawyers, notaries, auditors, accountants and tax advisors

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 113 January – June 2011

Number of CTRs received and time frame: 24,912 January – June 2011

STR covered entities: Banks, loan brokers, and lending companies; savings banks and credit unions; companies that issue payment instruments, rent safe-deposit boxes, or perform payment option

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services; the Croatian Post Office; investment fund and asset management companies; pension companies; companies authorized to do business with financial instruments; insurance companies and intermediaries; issuers of electronic money; authorized exchange offices; all gaming-related providers; pawnshops; leasing firms; guarantors; dealers in precious metals, gems, artistic or antique items; auctioneers; lawyers, notaries, auditors, accountants and tax advisors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Five January - June 2011

Convictions: None January - June 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Croatia is a member of the 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/Croatia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In addition to the Law on Prevention of Money Laundering and Terrorist Financing there are nine additional relevant regulations in force. Aside from cash, the laws also require covered entities to report all transactions involving gold, precious metals, and rare stones, as well as other types of monetary instruments and financial paper.

The Croatian National Bank, the Financial Inspectorate and the Croatian Financial Services Supervisory Agency oversee and examine financial institutions for compliance with anti-money laundering legislation. These offices are adequately staffed, and personnel are generally adequately trained.

Through its regulatory authority, the Ministry of Finance requires financial institutions to use specialized software to facilitate compliance with related reporting requirements. The Anti-Money Laundering Department, Croatia's financial intelligence unit (FIU), oversees all non-bank financial institutions and designated non-financial businesses and professions. Most suspicious activity reports in Croatia are made by banks.

Croatia is a signatory to bilateral agreements with 32 FIU counterparts and is also party to a number of bilateral agreements on law enforcement cooperation with its neighbors. Croatia actively cooperates with its Balkan neighbors in the law enforcement arena and helped establish a regional working group to address money laundering.

The Government of Croatia has sufficient mechanisms in place and tools at its disposal to effectively combat money laundering and financial crimes; incidences of these activities remain rare. However, a lack of expertise in financial crimes matters among the police and judiciary stands in the way of an even more efficient system. Attempts at educating experts in this arena have proven helpful. With Croatia expected to join the EU in July 2013, its ability to successfully combat money laundering and financial crimes is being scrutinized, a process which has already led to increased capacity and expertise in this area.

Cuba

Cuba is not considered a regional financial center. Cuban financial practices and U.S. sanctions prevent Cuba's banking system from being fully integrated in the international financial system. The government-controlled banking sector, low internet and cell phone usage rates, lack of government and legal transparency, and threat of seizures related to the U.S. embargo all render Cuba an unattractive location for money laundering. There is a significant black market in Cuba that operates as a supply and demand market parallel to the heavily subsidized and rationed formal market controlled by the state.

The U.S. Government issued the Cuban Assets Control Regulations in 1963, under the Trading with the Enemy Act. The regulations impose many restrictions on travel and remittances to Cuba and prohibit import of most products of Cuban origin and, with some exceptions, export of goods from the U.S. to Cuba. Additionally, a number of U.S.-based assets of the Cuban government (GOC) or Cuban nationals are frozen. In 2009 and again in 2011, some of the restrictions related to travel and remittances were adjusted.

Cuba's geographic location between drug-supplying and drug-consuming countries presents challenges for the authorities. Cuba has little foreign investment and a small presence by international businesses, and no offshore casinos or internet gambling sites. There are no free trade zones, although the government has announced it is developing one as part of the expansion of the Mariel port in northwestern Cuba.

Approximately \$1 billion in annual remittances are sent to Cuba from the United States. These funds are traded for Cuban pesos at government foreign exchange houses, as most dollar transactions are forbidden. In late 2010, Western Union was allowed to begin disbursing Cuban Convertible Pesos (CUC) to recipients on the island, saving customers the 10% fee for cash exchanges into CUC from dollars. This development, coupled with new regulations on remittances, has probably driven up remittance flows well above the often-stated figure of \$1 billion.

As noted in the October 2011 Financial Action Task Force (FATF) Public Statement, Cuba has not engaged with the anti-money laundering/combatting the financing of terrorism (AML/CFT) community and has not committed to compliance with the international standards.

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 available

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, money exchangers and remitters, financial management firms

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks, money exchangers and remitters, financial management firms

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO

With other governments/jurisdiction: Not available

Cuba does not belong to a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

During 2011 there were no significant changes in GOC policies or regulations concerning AML/CFT. Cuba's secretive and opaque national banking system hampers efforts to monitor the effectiveness and progress of Cuba's AML/CFT regime. The GOC claims to be in full compliance with international counter-terrorism conventions and to have taken into account international standards.

Cuba has bilateral agreements with a number of countries related to combating drug trafficking. It is unclear whether any of these agreements include mechanisms to share information related to financial crimes or money laundering.

The GOC has continued a high profile campaign against corruption, investigating and prosecuting Cuban officials and foreign businesspeople. In August 2011, the government held what it claimed was its first money laundering prosecution, trying and sentencing a resident French businessman to 15 years in prison, with shorter sentences for his Cuban wife and seven other Cubans linked to the case. The charges were related to the 2004 sale of his sailboat in Cuba, which was later interdicted off the coast of Africa with three tons of cocaine aboard. However, evidence introduced at the trial allegedly showed that the suspect had reported the proceeds from the sale and deposited them in a Cuban bank. The French Government reportedly informed the GOC it did not believe the man was involved in trafficking or money laundering. For these reasons, many observers are skeptical that money laundering was involved.

Cuba should increase the transparency of its financial sector and increase its engagement with the AML/CFT community in order to increase its capacity to fight illegal activities. It also should increase the transparency of criminal investigations and prosecutions, and make its trials public.

Curacao

In late 2010, Curacao became a new autonomous country within the Kingdom of the Netherlands. Curacao enjoys a high degree of autonomy on most internal matters but defers to the Kingdom of the Netherlands (KON) in matters of defense, foreign policy, final judicial review, human rights, and good governance. Curacao is a regional financial center and a transshipment point for drugs from South America bound for the United States and Europe. Money laundering is primarily related to proceeds from illegal narcotics. Money laundering organizations can take advantage of banking secrecy and use offshore banking and incorporation systems, economic zone areas, and resort/casino complexes to place, layer and launder drug proceeds. Another possible area of money laundering activity may be through wire transfers between the island and the Netherlands. Bulk cash smuggling is a continuing problem due to the close proximity of Curacao to South America.

Curacao has two free economic zones. It is not known to what extent "contrabanding" (using bulk cash to buy actual products which are shipped to South America and sold, thus legitimizing the profits) occurs.

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The worldwide financial recession has significantly slowed the economic activities of the zones. Curacao has an active “e-zone” which provides potential e-commerce investors a variety of tax saving opportunities and could be vulnerable to illegal activities.

Curacao’s offshore financial sector consists of trust service companies providing financial and administrative services to an international clientele, including offshore companies, mutual funds, and international finance companies. The extent of this sector is not clear, but it has declined in scale due to the worldwide financial crisis. Banking regulations require international banks to have a physical presence and maintain records on the island. Bearer shares of international companies must be kept in custody and onshore companies are not allowed to have bearer shares. Several casinos and Internet gaming companies operate.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Onshore and offshore banks, saving banks, money remitters, credit card companies, credit unions, life insurance companies and brokers, trust companies and other service providers, casinos, customs, lawyers, notaries, accountants, tax advisors, jewelers, car dealers, real estate agents, administration offices, tax advisors, lawyers, and accountants

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Local and international banks, saving banks, money remitters, credit card companies, credit unions, life insurance companies, insurance brokers, company and other service providers, casinos, customs, lawyers, notaries, accountants, tax advisors, jewelers, car dealers, real estate agents, administration offices, and other tax, legal, and accountancy experts

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 24 - January - May 2010

Convictions: 23 - January - May 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Curacao is a member of the Caribbean Financial Action Task Force, (CFATF), a Financial Action Task Force-style regional body. The first AML/CFT evaluation of Curacao occurred in August/September of 2011. Once adopted, the mutual evaluation report will be found here: <http://www.cfatf-gafic.org/mutual-evaluation-reports.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Money Laundering and Financial Crimes

A new penal code was passed by parliament and was to be published on November 15, 2011. Terrorism financing is now specifically criminalized and legal persons are subject to criminal and administrative penalties.

Curacao should ensure that it continues its regulation and supervision of the offshore sector and free trade zones, as well as pursuing money laundering investigations and prosecutions. Curacao should work to fully develop its capacity to investigate and prosecute money laundering and terrorist financing cases.

The Mutual Legal Assistance Treaty between the KON and the U.S. applies to Curacao; however, the treaty is not applicable to requests for assistance relating to fiscal offenses addressed to the Netherlands Antilles.

Curacao is part of the Kingdom of the Netherlands and cannot sign or ratify international conventions in its own right. Rather, the Netherlands may arrange for the ratification of any convention to be extended to Curacao. The 1988 Drug Convention was extended to Curacao in 1999. The International Convention for the Suppression of the Financing of Terrorism was extended to the Netherlands Antilles, and as successor, to Curacao on March 22, 2010. The UN Convention against Transnational Organized Crime and the UN Convention against Corruption have not yet been extended to Curacao.

Cyprus

Since 1974, Cyprus has been divided de facto into the government-controlled two-thirds of the island and the Turkish Cypriot-administered one-third. The Government of the Republic of Cyprus (ROC) has continued to be the only internationally recognized authority; in practice, its authority extends only to the government-controlled area. In 1983, the Turkish Cypriots declared an independent “Turkish Republic of Northern Cyprus” (“TRNC”). The United States does not recognize the “TRNC,” nor does any country other than Turkey. This section of the report discusses the area controlled by the ROC. A separate section on the area administered by Turkish Cypriots follows.

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); well developed and modern legal, accounting and banking systems; a sophisticated telecommunications infrastructure; and EU membership. There are no legal or 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 240,000 companies registered in Cyprus, many of which belong to non-residents. The same disclosure, reporting, tax and other laws and regulations apply equally to all registered companies.

Like any financial center, Cyprus faces risks from money laundering and illicit finance activities. The Cypriot authorities are aware of those risks and take legislative and other measures to counter and suppress such activities. The biggest threats for money laundering are primarily from simple financial crime domestically 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”.

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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 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.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, cooperative credit institutions, securities and insurance firms, payment institutions including money transfer businesses, trust and company service providers, auditors, tax advisors, accountants, real estate agents, dealers in precious stones and gems, and in certain cases, attorneys

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 510 in 2010
Number of CTRs received and time frame: Not available
STR covered entities: Banks, cooperative credit institutions, securities and insurance firms, payment institutions including money transfer businesses, trust and company service providers, auditors, tax advisors, accountants, real estate agents, dealers in precious stones and gems, and in certain cases, attorneys, plus any person who in the course of his profession, business or employment knows or reasonably suspects that another person is engaged in money laundering or terrorist financing activities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 41 in 2010
Convictions: 15 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** 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-style regional body (FSRB). Its most recent mutual evaluation report can be found here: 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.

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.

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 21 domestic banks in the area administered by Turkish Cypriots and Internet banking is available.

The offshore banking sector remains a concern. The offshore sector consists of 11 banks and 90 companies. The offshore banks may not conduct business with residents of the area administered by Turkish Cypriots and may not deal in cash. The "Central Bank" provides the regulation and licensing of offshore banks and audits the offshore entities, which must submit an annual report on their activities. The "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.

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 "AMLL" 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).

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC 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

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 105 in 2011 (as of October 30, 2011)

Number of CTRs received and time frame: Not available

STR 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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO

With other governments/jurisdictions: YES – with Turkey only

The area administered by Turkish Cypriots is not a member of any FSRB.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Despite the 2009 promulgation of more strict “laws,” the 24 operating casinos (four in Nicosia, five in Famagusta and 15 in Kyrenia) 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.

Banks and other designated entities must submit STRs to the “FIU”. The “FIU” then will forward any STRs to the five-member “Anti-Money Laundering Committee” which decides whether to further refer suspicious cases to the “attorney general’s office,” and then if necessary, to the “police” for further investigation. The five-member committee is composed of representatives of the “Ministry of Economy,” “Money and Exchange Bureau,” “Central Bank,” “police” and “customs”.

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 to a “law” to regulate potential AML activity in casinos that would essentially decriminalize failure to implement KYC rules have been pending for over one year. 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.

Czech Republic

The Czech Republic has a small, export-oriented economy. However, the country’s central location in Europe and openness as a market economy leave it vulnerable to money laundering. Fraud and tax evasion are reportedly the primary sources of laundered assets in the country. Czech officials estimate

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that organized crime in the country generates approximately \$40 billion annually. In 2011, officials seized illegal assets valued at approximately \$110 million.

Domestic and foreign organized crime groups target Czech financial institutions for laundering activity, most commonly by means of financial transfers. Links between organized crime and money laundering are present mainly in the activities of foreign groups, in particular those from the former Soviet republics, the Balkans region, and Asia.

The Czech Republic is home to a significant black market for smuggled cigarettes and other tobacco products, as well as pirated products from Asia, including CDs, DVDs, and counterfeit designer goods. The Czech Customs Administration has found that Asian criminal groups use a portion of the illegal funds from contraband smuggling for the purchase of real properties, which they then use for business activities. There are 11 free trade zones operating in the Czech Republic, but Czech authorities do not consider them to be vulnerable to money laundering.

Banks, investment companies, real estate agencies, currency exchange offices, casinos, and other gaming establishments all have been used to launder criminal proceeds. There is weak anti-money laundering regulatory oversight of the gaming industry. A further concern is the widespread use of freely transferable bearer shares among Czech companies that obscures true ownership.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks, currency exchanges, insurance companies, and postal license holders; securities dealers and exchanges; gaming enterprises; attorneys, trusts and company service providers; realtors, notaries, accountants, tax advisors, and auditors; pawnshops and dealers of secondhand goods, including vehicles, and of precious metals and stones

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 1,540 from January to September 2011
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, currency exchanges, insurance companies, and postal license holders; securities dealers and exchanges; gaming enterprises; attorneys, trusts and company service providers; realtors, notaries, accountants, tax advisors, and auditors; pawnshops and dealers of secondhand goods, including vehicles, and of precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 34 from January to November 2011
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES
With other governments/jurisdictions: YES

The Czech Republic is a member of the 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 can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Czech_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Two aspects of the Czech legal framework continue to constrain efforts to prosecute money laundering. First, prosecutors must prove – without a doubt – that the accused also committed a predicate offense resulting in the laundering of assets. Second, a court can only sentence somebody to prison for one crime, even if several crimes were committed. Convictions for predicate offenses generally result in prison sentences at least as long as those for money laundering, so prosecutors have little motivation to pursue money laundering convictions.

In 2011, despite an environment of fiscal austerity in which most Czech government ministries are facing budget cuts, the Financial Intelligence Unit (FIU) at the Ministry of Finance added ten new staff members. The Unit for Combating Corruption and Financial Crimes also added resources that will focus primarily on asset seizure.

The Czech Republic permits bearer shares, which are widely used by Czech companies. As a result, there is not reliable ownership transparency or adequate reliability of registered information. Although KYC rules require companies to provide financial institutions with evidence of the identities of beneficial owners holding more than a 25% stake in the company, the reliability of company-provided data has sometimes proved questionable. Law enforcement personnel acknowledge that bearer shares are obstacles in their financial investigations because they obscure true ownership. According to a January 2011 report by the Czech research agency Čekia, there are roughly 12,000 joint stock companies that issue bearer shares in paper form, accounting for over half of all joint stock companies in the Czech Republic.

The gambling industry in the Czech Republic is vulnerable to money laundering. The Czech gaming industry is represented by a powerful lobby that has succeeded in blocking most new regulation of the sector. Casinos file a relatively small number of STRs. Other gaming entities, including bars and restaurants with electronic games and slot machines, are not subject to the Anti-Money Laundering Act (AMLA) requirements. Without robust oversight and the applicability of the AMLA to all gaming establishments, the potential exists for money laundering to become more significant in the gaming sector.

The Government of the Czech Republic should ratify the UN Convention against Transnational Organized Crime and become a party to the UN Convention against Corruption.

Denmark

Denmark is not a major financial center and does not have a serious problem in the area of financial crimes. Money laundering activity is generally from foreign criminal activity and is primarily related to the sale of illegal narcotics, specifically cocaine, heroin and amphetamines. Furthermore, outlaw motorcycle gangs have been involved in a range of offenses, including narcotics-related offenses, smuggling of goods, and various financial crimes. There are no indications of trade-based money laundering as it relates to drug trafficking in Denmark and public corruption is virtually non-existent.

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Denmark is geographically vulnerable to serving as a transit country for smuggling into Sweden and Norway.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, electronic money institutions and currency exchanges; insurance brokers and intermediaries; pension and mutual funds; securities brokers and dealers; portfolio, asset and capital managers; financial leasing and factoring entities; issuers and processors of credit cards, traveler's checks, and money orders; accountants and auditors; real estate agents; trust and company service providers; attorneys; real estate agents; and casinos

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 2,316 in 2010

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, electronic money institutions and currency exchanges; insurance brokers and intermediaries; pension and mutual funds; securities brokers and dealers; portfolio, asset and capital managers; financial leasing and factoring entities; issuers and processors of credit cards, traveler's checks, and money orders; accountants and auditors; real estate agents; trust and company service providers; attorneys; real estate agents; and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 306 in 2009

Convictions: 158 in 2009

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Denmark is a member of a Financial Action Task Force. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/1/26/37588381.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Denmark has a comprehensive anti-money laundering/counter-terrorist financing (AML/CFT) regime and has been cooperative with the United States in drug money laundering investigations. Denmark and the United States have a Customs Mutual Assistance Agreement which facilitates information sharing between the customs administrations of the two countries. Denmark should continue to enhance its laws and regulations as necessary to adhere to international standards,

including extending its AML/CFT requirements to cover gaming establishments and Internet gaming providers.

Djibouti

Djibouti is one of the most stable countries in the Horn of Africa. It is a minor financial hub in the sub-region, thanks to its U.S. dollar-pegged currency and its unrestricted foreign exchange. Djibouti's economy continues to grow at an annual rate of over 4% of GDP due to a surge in foreign direct investment inflows – primarily from the countries of the Gulf Cooperation Council (GCC) – in the port, construction, and tourism sectors. Officials from the Central Bank have not reported any specific instances of money laundering. The use of hawala is prevalent in the region. Informal and black markets for goods remain important and are sometimes used in counter-valuation. Smuggled goods consist primarily of highly taxed cigarettes, alcohol, and fuel. Due to Djibouti's strategic location and its cultural and historical trading ties, Djibouti-based traders and brokers are active in the region. Djibouti currently hosts no offshore banks; however, its banking laws explicitly permit offshore institutions. The number of locally operating banks has increased from two to eleven in the past seven years.

The Djibouti Free Zone, inaugurated in 2004 and managed by Dubai's Jebel Ali Free Zone, has now almost reached capacity. A new larger free zone and separate heavy equipment and automobile free zone are under construction.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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 ***civily:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Credit establishments, financial institutions and intermediaries, and any individual or entity that carries out, controls or gives advice on transactions involving deposits, exchanges, investments, conversion or any other movements of capital, to include banks, money transfer agents, money changers, casinos, notaries, and attorneys

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Ten
Number of CTRs received and time frame: None
STR covered entities: Credit establishments, financial institutions and intermediaries, and any individual or entity that carries out, controls or gives advice on transactions involving deposits, exchanges, investments, conversion or any other movements of capital, to include banks, money transfer agents, money changers, casinos, notaries, attorneys, and other non-financial entities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO

With other governments/jurisdictions: NO

Djibouti is not a member of a Financial Action Task Force (FATF)-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although the Government of Djibouti (GOD) enacted its anti-money laundering law in 2002 and established a financial intelligence unit in 2008, enforcement of the law continues to be a major challenge. Though Djibouti makes an effort to control all formal transaction points, greater resources and independence would improve the oversight capabilities of the Central Bank and the Fraud Investigation Unit (FIU). Because of its free zones, an increasing number of banks, and the introduction of bank-free cash transfers via mobile phones, additional training and resources for the FIU continue to be critical needs. The FIU lacks resources in its regulatory function and to collect and analyze financial intelligence. The FIU does not track large currency transactions without an accompanying STR. In 2011, the FIU focused on accompanying the Central Bank on its supervisory bank examinations in order to raise awareness of anti-money laundering/counter-terrorist financing (AML/CFT) obligations in the financial sector. Djibouti will need to work to apply its AML/CFT regime in all current and planned free zones, and to all professionals involved in financial matters. Djibouti's FIU has yet to forward a case for investigation or prosecution.

The lack of coordination between divergent law enforcement authorities, including security agencies, further impedes investigations. Law enforcement expertise in financial investigations and targeting financial crimes is minimal. Law enforcement agencies should not wait for a money laundering referral from the FIU but rather should investigate financial crimes at the street level and in the ports. The GOD should continue to focus on improving customs controls on cross-border currency movements, especially at land borders.

Djiboutian magistrates and judges also lack both experience and expertise in prosecuting financial crimes. The Ministry of Justice examines each predicate offense and seldom considers links to money laundering unless currency is directly involved.

Dominica

Dominica is a major offshore center with a large international business company (IBC) presence and internet gaming. Past money laundering cases have involved external proceeds from fraudulent investment schemes, advance fee fraud schemes and the placement of euros related to questionable activities in Guadeloupe and Martinique. Domestic money laundering is primarily connected to drug-related activities.

Dominica has three offshore banks, three Internet gaming companies and 16,253 IBCs. Bearer shares are permitted; however, these shares are immobilized by the requirement the beneficial owners of the bearer shares be disclosed.

Under Dominica's Economic Citizenship Program, individuals can obtain citizenship for approximately \$75,000 for an individual and \$100,000 for a family of up to four persons. There is no residency requirement and passport holders may travel to most Commonwealth countries without a visa. An

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application for economic citizenship must be made through a government approved local agent and requires a fee for due diligence or background check purposes. An in-person interview is also required.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, cooperative credit unions, securities and insurance brokers, money exchanges or remitters, financial management firms and registered agents, gaming establishments, lawyers, notaries, real estate brokers, jewelers, auto dealers, and accountants

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 89 as of November 2011
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, cooperative credit unions, money exchangers and couriers, financial management firms and registered agents, real estate brokers, notaries, lawyers, accountants, gaming centers, insurance companies, jewelers, auto dealers, and securities dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Three involving six persons
Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Dominica 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/Dominica_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Dominica_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

During the year, Dominica passed an FIU Act, a new Money Laundering (Prevention) Act (MPLA), amendments to the Terrorist Financing Act, and the Financial Services Unit Act. It is too early to tell whether these new laws address the deficiencies that have been identified by international experts.

While Dominica has passed legislation capturing designated non-financial businesses and professions under its AML/CFT regime, there is no supervisory authority that ensures these entities are subject to monitoring and compliance with the requirements of the MPLA or the Guidance Notes issued by the Money Laundering Supervisory Authority. Although non-bank financial entities are required by law to submit STRs, most are submitted by the formal financial sector.

Dominica should become a party to the UN Convention against Transnational Organized Crime.

Dominican Republic

The Dominican Republic (DR) is not a major regional financial center, despite having one of the largest economies in the Caribbean. The DR continues to be a major transit point for the transshipment of illicit narcotics destined for the United States and Europe. The six international airports, 16 seaports and a large porous frontier with Haiti present Dominican authorities with serious challenges.

Corruption within the government and the private sector, the presence of international illicit trafficking cartels, a large informal economy, and a fragile formal economy make the DR vulnerable to money laundering and terrorist financing threats. The large informal economy is a significant market for illicit or smuggled goods. The under-invoicing of imports and exports by DR businesses is a relatively common practice for those seeking to avoid taxes and customs fees. U.S. law enforcement believes there is some evidence that arms smuggling across Dominican borders has reached systemic levels as there are identifiable networks smuggling weapons into the DR from the U.S. The increase in drug related violence throughout the DR is partially attributable to arms trafficking as evidenced by the seizures of illicit weapons at ports of entry over the past year. The major sources of laundered proceeds stem from illicit trafficking activities, tax evasion and fraudulent financial activities, particularly transactions with forged credit cards.

There are no reported hawala or other money or value transfer services operating in the DR. A significant number of remittances are transferred through banks. Casinos are legal in DR and unsupervised gaming activity represents a significant money laundering risk. While the country has a law creating an international financial zone, implementing regulations will not be issued until the law is reformed to avoid perceptions that the zone will be left out of the DR's AML regulatory 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: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, currency exchange houses, 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 dealers in firearms and precious metals

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, agricultural credit institutions, money exchangers, notaries, gaming centers, securities dealers, art or antiquity dealers, jewelers and precious metals vendors, attorneys, financial management firms and travel agencies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 12 in 2011

Convictions: Seven in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

The 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/downloadables/mer/Dominican_Republic_3rd_Round_MER_%28Final%29_English.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The DR has made progress on the functioning of its financial intelligence unit (FIU), but problems remain. Progress includes greater clarity on the areas covered by disclosure and reporting requirements; however, there remains a lack of publicly available information about the numbers of reports submitted by the various reporting sectors.

The DR also strengthened its laws on PEPs and correspondent relationships but international experts have outlined key weaknesses to address. In addition, the DR urgently needs to pass regulations to provide safe harbor protection for STR filers and criminalize tipping off. The government also should work to better regulate casinos and non-bank businesses and professions, in particular real estate companies, and strengthen regulations for financial cooperatives and insurance companies.

The DR's asset forfeiture regime is improving but has weaknesses because it does not cover confiscation of instrumentalities intended for use in the commission of a money laundering offense; property of corresponding value; and income, profits, or other benefits from the proceeds of crime. The DR should implement legislation to bring its asset forfeiture regime up to international standards.

In July 2011, Dominican authorities announced they had dismantled the core of a narcotics trafficking and money laundering organization based in the DR. The alleged profits from the narco trafficking operation were laundered using banks and other financial instruments throughout the Western Hemisphere. The group allegedly had branches in Canada, Colombia, Venezuela, Jamaica and elsewhere. The investigation was coordinated by agents from the DR, Central America, South America, North America, and Interpol.

The Egmont Group expelled the FIU in 2006 due to a lack of compliance with the definition of an FIU. To date, the FIU has not been reinstated into that worldwide organization. This seriously hinders U.S. law enforcement in the exchange of information with its Dominican counterparts through the two countries' FIUs. The Egmont Group has specified the formal steps the DR would need to take to re-apply for Egmont membership, thereby allowing the FIU to efficiently and securely share sensitive financial information with the Financial Crimes Enforcement Network (FinCEN), the U.S. FIU, as well as with the rest of the Egmont membership. However, there are still impediments in the Dominican law keeping the FIU from being considered for membership, such as Law 480/08 which enables the creation of another FIU-like organization to regulate international financial zones. The DR should modify the law to eliminate the possibility of a second FIU, and re-apply for membership in the Egmont Group.

Ecuador

Ecuador is a major drug transit country. With a dollarized economy and geographic location between two major drug producing countries, Ecuador is highly vulnerable to money laundering. Ecuador has emerged

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as a meeting ground for multiple transnational criminal and terrorist organizations and an important part of a pipeline that moves not only cocaine but humans, weapons, precursor chemicals, and illicit cash. Corruption is a significant problem in Ecuador and facilitates money laundering. Since only major banks have active money laundering controls in place and a substantial percentage of transactions take place through unregulated money exchange and remittance companies, there is no reliable way to judge the magnitude of illicit finance in the country. There is evidence money laundering is also taking place through trade and commercial activity, as well as through cash couriers. Deficient financial supervision and weakly regulated casinos have been additional vulnerabilities for money laundering. The Ecuadorian government has announced its intent to close all gambling outlets in 2012.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO
KYC covered entities: Financial institutions, insurance providers (including private insurance), cooperatives, trust and fund managers, money transfer companies and parallel couriers, brokerages, casinos and gaming halls

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 38 in 2010
Number of CTRs received and time frame: 21,208,744 from January to April 2011
STR covered entities: Banks, savings and credit institutions; investment companies, stock exchanges, and mutual funds; exchange houses; credit card administrators; money transmitters; mortgage companies; insurance and reinsurance companies; trusts; fund managers; sellers of vehicles, aircraft, and watercraft; brokerages; couriers; real estate agents; casinos and other gambling enterprises; dealers of precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 49 in 2011
Convictions: One in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: NO
With other governments/jurisdictions: YES

Ecuador is a member of the Financial Action Task Force (FATF) on Money Laundering in South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found here:

http://www.gafisud.info/pdf/InformedeEvaluacinMutuadeEcuador_1.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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The Government of Ecuador (GOE) made progress in December 2010 when it enacted amendments to the country's anti-money laundering law (Law 2010-352). The law appears to strengthen the mandate of the Financial Analysis Unit (FAU), Ecuador's financial intelligence unit, and expands the role of the National Anti-Money Laundering Council, which oversees the FAU.

On balance, the legal reforms strengthen Ecuador's legislation with regard to financial crimes. However, the amended law includes new language that complicates seizures of illicit funds, by explicitly placing the burden of proof on the GOE to prove the illicit origin of funds in money laundering or cash smuggling cases. This provision has brought convictions to a virtual halt. A further impediment to processing bulk cash seizure cases is a lack of regulations defining pertinent authorities and administrative processes.

Law 2010-352 also includes provisions that seek to criminalize terrorist financing by creating an autonomous offense. However, the law does not contain an explicit reference to "terrorist financing;" does not define "funds" or "assets;" does not appear to cover attempts to commit the offense; and appears to require a connection to a specific act of terrorism. Ecuador also lacks adequate procedures for the freezing of assets in accordance with relevant UNSCRs. Ecuador has a lengthy criminal process for confiscating terrorists' assets.

Oversight in the financial sector has improved. In 2011, Ecuador issued a number of resolutions to clarify reporting requirements, including for the private insurance system, trust and fund managers, money transfer companies, and casinos, which have resulted in the imposition of penalties on a range of entities for noncompliance.

The GOE should continue to work to ensure its AML/CFT legislation and programs adhere to international standards, particularly with regard to the criminalization of terrorist financing, and the ease with which assets linked to illegitimate sources can be confiscated. The GOE should harmonize its legislation to eliminate conflicts that hinder successful money laundering investigations and prosecutions. The GOE should ensure the FAU is fully functional and meets international standards, and should also ensure that reporting requirements -- covering an expanded group of obligated parties -- are enforced. The GOE should make a dedicated effort to train judges, prosecutors and investigators so they understand the country's applicable AML/CFT legislation and regulations. More effort also should be given to effective border enforcement. It is important for the GOE to take all necessary steps to comply fully with international AML/CFT standards to which it has formally committed through its membership in GAFISUD.

Egypt

Egypt is not considered a regional financial center or a major hub for money laundering. Egypt has a large informal cash economy, and many financial transactions are undocumented or do not enter the banking system. Cash remains by far the preferred means of payment in Egypt and, despite efforts by the Egyptian authorities, the use of the formal financial sector remains underdeveloped. Reportedly, arms are smuggled across Egypt's border with Gaza; the funding source and the destination of the proceeds are not clear. Authorities report trade-based money laundering is common, reportedly to avoid taxes and customs fees. Tax evasion also is common. Customs fraud and invoice manipulation also are found in regional value transfer schemes. Since the Egyptian revolution, the attention of Egypt's money laundering investigating agencies has been focused almost exclusively on investigating allegations of illicit gains or corruption under the Mubarak regime. The European Union has taken action to freeze the assets of Mubarak and several members of his regime based on their apparent misappropriation from the Egyptian state.

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For more information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, foreign exchange companies, money transfer companies, the post office, insurance companies, security firms, leasing companies, factoring companies, and mortgage financing companies

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 2,253 from June 2008 - June 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, foreign exchange companies, money transfer companies, the post office, insurance companies, security firms, leasing companies, factoring companies, and mortgage financing companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: One in 2011

Convictions: Seven from January 2008 - June 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Egypt 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/MER_Egypt_ForPublication.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Egypt (GOE) has been hesitant to utilize its money laundering statutes to their full legal extent. Overlapping jurisdiction and poorly defined areas of responsibility have hindered money laundering investigations in Egypt. Egypt's FIU also suffers from a lack of resources and analysts that is likely slowing enforcement efforts. The GOE should work to improve interagency coordination and information-sharing in investigations of suspicious transactions and financial activities. Egypt would benefit from increased funding and a greater number of investigators and prosecutors dedicated to pursuing money laundering crimes.

Specifically, Egypt should work to increase the number of successful money laundering investigations and prosecutions and improve its enforcement of cross-border currency controls, including by providing training on coordinating and conducting complex financial investigations and by enhancing coordination

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with regional and MENAFATF partners. The GOE should also work to more effectively manage its asset forfeiture regime, including the identification, seizure and forfeiture of assets.

El Salvador

El Salvador has a rapidly growing banking system with little, other than its dollarized economy and remittance flow, to support such growth. The country is part of the transshipment route for South American cocaine and heroin destined for the United States and cash returning to South America. The U.S. dollar is the main currency in El Salvador. The country's dollarized economy and geographic location make it an ideal haven for transnational organized crime groups, including human and drug trafficking organizations. Money laundering is primarily related to proceeds from illegal narcotics and organized crime. There is no indication that money laundering is being used to fund terrorist activities. The Central America Four Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for the free movement of 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.

According to authorities, some of the mechanisms used by organized crime to launder money include the use of front companies, parking lots, travel agencies, remittances, the import and export of goods, cargo transportation and smurfing operations.

There are 16 free trade zones operating in the country. There are no reported hawala or other similar alternative remittance systems operating in El Salvador. A significant number of remittances are transferred through banks, and it is possible narcotics trafficking organizations remit illicit proceeds from drug sales in the United States to El Salvador.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, agricultural credit institutions, money exchanges, accountants, notaries, gaming centers, auto dealers, and securities dealers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 1,172 in 2011

Number of CTRs received and time frame: 3,050 in 2011

STR covered entities: Banks, agricultural credit institutions, money exchanges, accountants, notaries, gaming centers, auto dealers, and securities dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 11 in 2011

Convictions: Four in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other:* YES

With other governments/jurisdictions: YES

El Salvador 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/downloadables/mer/El_Salvador_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/El_Salvador_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The number of prosecutions relative to the number of crimes which generate illicit funds is low. The regulatory institutions charged with money laundering supervision are weak and lack both human resources and sufficient regulatory powers. In 2010, the government passed asset forfeiture legislation that allows the government to sell property seized in conjunction with narcotics arrests and to use the profits for counter-narcotics efforts. In 2011, assets worth \$1,300,000 were criminally forfeited.

El Salvador needs to provide a clear prohibition against tipping off in its legislation and regulations, and clarify and enforce its provisions regarding criminal liability for legal persons. El Salvador should lower its CTR threshold from approximately \$57,000 to \$10,000 to comport with the international standard.

Equatorial Guinea

Equatorial Guinea (EG) is not a regional financial center. EG is vulnerable to money laundering and terrorist financing. Implementation of its anti-money laundering laws is not complete. EG's greatest concerns in terms of money laundering and terrorist financing are cross-border currency transactions and the illegal international transfer of money by companies or by corrupt individuals. Smuggling is widespread. Financial crimes enforcement is weak.

Equatorial Guinea is a member of the Economic and Monetary Community of Central Africa States (CEMAC) and shares a regional Central Bank (BEAC) with other CEMAC members. The Government of Equatorial Guinea is also a member of the Banking Commission of Central African State (COBAC) within CEMAC.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Central Bank, banks, banking intermediaries, microfinance institutions, insurance companies, investment services, money changers, casinos, notaries, real estate agents, money transfer companies, travel agencies, auditors, accountants, and high-value goods dealers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

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Number of CTRs received and time frame: Not available

STR covered entities: Central Bank, banks, banking intermediaries, micro finance institutions, insurance companies, investment services, money changers, casinos, notaries, real estate agents, money transfer companies, travel agencies, auditors, accountants, and high-value goods dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES (through COBAC)

With other governments/jurisdictions: YES

Equatorial Guinea is not a member of a Financial Action Task Force-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Equatorial Guinea should work with CEMAC and BEAC to establish a viable anti-money laundering/counter-terrorist financing (AML/CFT) regime and to strengthen the capacity of the National Agency of Finance Investigation (ANIF). Equatorial Guinea's officers charged with crime prevention, including the police, judicial police and ANIF, need greater training in professionalism and proper investigative techniques. EG is ranked 172 out of 183 countries in Transparency International's 2011 Corruption Perception Index.

Although the AML regulations require reporting entities to implement compliance programs and report large and suspicious transactions, the system is only functioning to a limited degree in banking institutions. EG does not have cross-border currency reporting requirements.

The EG government cooperates with the European Community in terms of money laundering and terrorism financing through the CEMAC financial agreement with the Treasury of France.

Equatorial Guinea should become a party to the 1988 UN Drug Convention and the UN Convention against Corruption.

Eritrea

Eritrea is not a regional financial center. The Government of Eritrea (GOE) has created a strict command economy with nearly every significant economic entity controlled by the government/military. Although reliable figures are unavailable, Eritrea is highly autarchic. Exports are miniscule, generating little hard currency (although expected to grow with development of the mining sector). Eritrea spurned assistance from traditional donors. Aid from its largest benefactors, Qatar and China, is not transparent. The GOE relies in part on the taxation of nationals living abroad to sustain its economy. The level of cross border trafficking of narcotics is not known, but, given the government's tight control of its borders, Eritrea is not believed to be a significant market or transit route for narcotics. However, due to its informal cash economy, limited regulatory structure, alternative remittance systems, and its proximity to regions where terrorist and criminal organizations operate, Eritrea is vulnerable to money laundering and related activities.

The constitution, ratified in 1997, has yet to be implemented. Eritrea professes to operate against money laundering, but the mechanisms by which this is achieved are unclear. Eritrea is one of a few countries

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that do not publish their national accounts, budget, and trade statistics. Eritrean officials will not discuss the country's anti-money laundering/counter-terrorist financing (AML/CFT) regime.

Eritrea is a haven for organizations affiliated with al-Qaida and al-Shabaab; and Eritrean security forces actively support jihadists in terms of training, supply, and probably finance. Eritrea is a disruptive regional influence and has intervened directly in Somalia.

In December 2011 the UN Security Council toughened existing arms embargo sanctions against Eritrea through Resolution 2011 (2023). The resolution addresses concerns over the potential use of the Eritrean mining sector as a financial source to destabilize the Horn of Africa region.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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 available

Legal persons covered: ***criminally:*** Not available ***civilly:*** Not available

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Not available

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO

With other governments/jurisdictions: NO

Eritrea is not a member of a Financial Action Task Force (FATF)-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Eritrean banking, legal and regulatory systems are undeveloped and non-transparent. Currently, all laws are issued by proclamation from the GOE. Regulations and procedures appear haphazardly created and irregularly enforced. Enforcement of financial legislation is lax and difficult due to widespread avoidance of the banking system.

The GOE should seek international assistance to help structure an AML/CFT regime that adheres to international standards. Eritrea ranks 134 of 183 countries in Transparency International's 2011

Corruption Perception Index. Eritrea should become a party to the UN Convention against Corruption, the UN Convention against Transnational Organized Crime, and the International Convention for the Suppression of the Financing of Terrorism.

Estonia

Estonia has one of the most developed banking systems of the eastern European Union (EU) countries. Estonia has adopted the universal banking model, which enables credit institutions to participate in a variety of activities such as leasing, insurance, and securities. Transnational and organized crime groups are attracted to the territory due to its location between Eastern and Western Europe. The drug situation in Estonia is similar to that in other EU Member States in the region. Analysis of suspicious transaction reports (STRs) disclose some incidents of transferring the proceeds of Internet crime to Estonia.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Credit and financial institutions; lottery/gambling institutions, real estate firms, high value goods traders, pawnbrokers, auditors and accountants, accounting and tax advisors, providers of trust fund and business association services, notaries, attorneys, bailiffs, and trustees and interim trustees in bankruptcy

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 4,317 from January to October 2011
Number of CTRs received and time frame: 5,449 from January to October 2011
STR covered entities: Credit and financial institutions; lottery/gambling institutions, real estate firms, high value goods traders, pawnbrokers, auditors and accountants, accounting and tax advisors, providers of trust fund and business association services, notaries, attorneys, bailiffs, and trustees and interim trustees in bankruptcy

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 59 from January to October 2011
Convictions: Eight cases involving 33 persons from January to October 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Estonia is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) a Financial Action Task Force-style regional body. Estonia's most recent mutual evaluation report can be found here:
http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round3/MONEYVAL%282008%2932Rep-EST3_en.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On January 1, 2011, Estonia joined the euro zone. Estonia has worked to bring its anti-money laundering regime into compliance with international standards. In 2010 Estonia addressed domestic payment services by enforcing the Financial Institutions and e-Money Institutions Act.

The Estonian penal code establishes asset seizure and forfeiture, with special provisions for money laundering. Estonia established an Asset Recovery Unit under the FIU to concentrate on organized crime, detecting criminal assets from serious crimes, and identifying criminal assets transferred to foreign countries.

Ethiopia

Due primarily to its unsophisticated financial systems and pervasive government controls, Ethiopia is not considered to be a regional financial center. Ethiopia's location within the Horn of Africa makes it vulnerable to money laundering-related activities perpetrated by transnational criminal organizations, terrorists, and narcotics trafficking organizations. Sources of illegal proceeds include corruption, smuggling, and trafficking in narcotics, persons, arms, and animal products. As the economy grows and becomes more liberalized, law enforcement sources believe bank fraud, electronic/computer crimes, and money laundering activities will continue to rise. The financial services sector remains closed to foreign investment.

Since strict foreign exchange controls limit possession of foreign currency, most of the proceeds of contraband smuggling and other crimes are not laundered through the official banking system, composed of three public banks and fourteen private banks. High tariffs encourage customs fraud and trade-related money laundering. Law enforcement sources indicate that money and value transfer systems, particularly hawala, are widely used. The Ethiopian Government has closed a number of illegal hawala operations and attempts to monitor hawala networks within the country.

In October 2011, the Financial Action Task Force (FATF) included Ethiopia in its Public Statement for its lack of sufficient progress in addressing longstanding anti-money laundering/combating the financing of terrorism (AML/CFT) deficiencies. The FATF has called upon its members to consider the risks arising from these deficiencies.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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KYC covered entities: Banks, money transfer agents, foreign exchange bureaus, financial leasing companies, Ethiopian Revenue and Customs Authority, notary offices, licensing authorities, Ethiopian Investment Agency, non-governmental organizations, auditors, accountants, persons engaged in real estate business, precious metal dealers, and broker/investment advisors

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: None

Number of CTRs received and time frame: None

STR covered entities: Banks, money transfer agents, foreign exchange bureaus, financial leasing companies, Ethiopian Revenue and Customs Authority, notary offices, licensing authorities, Ethiopian Investment Agency, non-governmental organizations, auditors, accountants, persons engaged in real estate business, precious metal dealers, and brokers/investment advisors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Four in 2011

Convictions: None in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** NO

With other governments/jurisdictions: YES

Ethiopia is not a member of a Financial Action Task Force (FATF)-style regional body (FSRB). Ethiopia was granted observer status with the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), an FSRB, in September 2011.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

An action plan developed by the Ministry of Finance aims to improve Ethiopia's AML/CFT capabilities through the implementation of a variety of measures. In 2011, Ethiopia implemented various specific directives in accordance with its 2009 AML/CFT law, such as KYC laws and the reporting of suspicious and large cash transactions. Ethiopia should take additional steps to adequately criminalize money laundering and terrorist financing; establish and implement an adequate legal framework and procedures to identify and freeze terrorist assets; ensure a fully operational and effectively functioning financial intelligence unit (FIU); and, implement effective, proportionate and dissuasive sanctions in order to deal with natural or legal persons that do not comply with the national AML/CFT requirements.

The Financial Intelligence Center (FIC), Ethiopia's new FIU established in December 2011, lacks sufficient resources and trained personnel, particularly analysts. The FIC is working to develop its investigative and referral capacity. The Ethiopian law enforcement community, from investigators to prosecutors to judges, remains deficient in its awareness of AML/CFT issues and its understanding of how to address them. A lack of data and the lack of a systematic, investigative approach make it difficult for the federal police to identify money laundering. Further, inadequate police training and lack of resources significantly diminish the federal police's financial investigative abilities.

As of the end of 2011, Ethiopia is not yet a party to the International Convention for the Suppression of the Financing of Terrorism, but the government is taking steps to meet this goal.

Fiji

The Republic of Fiji is a small country with a population of less than one million. It is not a regional financial center, but serves as a regional hub for transportation and shipping for other Pacific island nations. The country's geographical location makes it a convenient potential staging post for criminal activities in Australia and New Zealand, which is demonstrated by some significant drug related cases and a noted increase in the number of human smuggling cases. Cross-border criminal gangs involving individuals from neighboring Asian countries also operate in Fiji.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, foreign exchange dealers, money remittance service providers, law firms, real estate agencies, accountants

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 728 in 2011
Number of CTRs received and time frame: 144,191 in 2011
STR covered entities: Banks, foreign exchange dealers, money remittance service providers, law firms, real estate agencies, accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two in 2011
Convictions: Four in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other:*** YES
With other governments/jurisdictions: YES

Fiji 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 report can be found here:

<http://www.apgml.org/documents/docs/17/Fiji%20DAR%20Final.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Fiji's financial intelligence unit does not have budgetary independence. Fiji should continue to implement anti-money laundering and counter-terrorist financing measures that adhere to international standards. Fiji also should become a party to the UN Convention against Transnational Organized Crime.

Finland

Finland is not a regional center for money laundering, financial crime or illegal commerce. Over the past decade, Finland repeatedly has placed first or second on Transparency International's Corruption Perceptions Index (CPI). The major sources of illegal proceeds in Finland relate to financial crimes, and the majority of suspicious financial activities investigated have an international dimension. These funds are normally laundered through currency exchangers and gambling establishments. The number of organized crime groups has grown slightly in the past few years, as has the number of their members. Terrorism related fund-raising, to the extent it exists, appears to be less of a problem than in other European 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 ***civily:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Credit and financial institutions; investment firms, fund management companies and custodians; the central securities depository and book entry registrars; payment institutions and money remitters; insurance companies, local mutual insurance associations, and insurance intermediaries; authorized pension insurance companies; apartment rental agencies and real estate agents; auditors, lawyers, notaries, and accountants; pawn shops and dealers in high value goods; casinos and gaming entities

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 14,213 from January to June 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Credit and financial institutions, investment and fund management companies, insurance brokers and insurance companies, apartment rental agencies and real estate agents, pawn shops, betting services, casinos, non-bank financial institutions, management companies, custodians of mutual funds, auditors, auctioneers, lawyers, notaries, accountants, dealers in high value goods, money remitters, tax advisory and financial management services, repossession agents and bankruptcy ombudsmen

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: One in 2010

Convictions: One in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Finland is a member of the Financial Action Task Force (FATF). Its most recent evaluation can be found here: http://www.fatf-gafi.org/document/58/0,3343,en_32250379_32236963_39535482_1_1_1_1,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Finland (GOF) has a comprehensive anti-money laundering/counter-terrorist financing regime. It should continue to enhance its laws and regulations as necessary to adhere to international standards.

Amendments to the scope of the money laundering offense entered into force on June 1, 2011, based on the recommendations of an inter-ministerial working group. The amendments add possession of criminal proceeds to the essential elements of money laundering and include negligent money laundering within the scope of criminal liability of a legal person.

The fact self-laundering of funds is not a crime in Finland, and that it is not possible to prosecute for self-laundering, has an impact on the low number of cases. Individuals suspected of laundering money are often convicted for other crimes. A working group was appointed by the Ministry of Justice in December 2010 to consider criminal sanctioning of self-laundering. The group released its report on May 31, proposing criminalization of self-laundering in the most severe cases. The amendment proposal was circulated for comments. With the comments completed, it could take several months or even up to a year before the amendment comes up for a vote.

The financial intelligence unit has the ability to freeze a transaction for up to five business days in order to determine the legitimacy of the funds. Funds can remain frozen for an extended period when linked to a criminal investigation. According to the Coercive Measures Act, all restraining and freezing orders must be presented to the court every four months. A new order can be given for a “reasonable time,” but it is yet unclear how long that time can ultimately be.

France

France remains an attractive venue for money laundering because of its sizable economy, political stability, and sophisticated financial system. Narcotics and 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.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, credit institutions, money-issuing institutions, investment firms, money exchangers, investment management companies, mutual insurers and benefit institutions, insurance

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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 in stock exchange settlement and delivery, commercial registered office providers, gaming centers, and companies involved in sports bets and horse-racing tips

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 20,252 in 2010

Number of CTRs received and time frame: Not available

STR 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 in stock exchange settlement and delivery, commercial registered office providers, gaming centers, and companies involved in sports bets and horse-racing tips

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 276 in 2010

Convictions: 35 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

France is a member of the Financial Action Task Force (FATF). France is also a Cooperating and Supporting Nation to the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/3/18/47221568.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The French government has a comprehensive anti-money laundering/counter-terrorist financing (AML/CFT) regime and is an active partner in international efforts to control money laundering and terrorist financing. France maintains the ability to designate individuals or entities under French domestic authorities in addition to those designated by European Union (EU) regulations. France and the United States have exchanged large amounts of data in connection with money laundering and terrorist financing. France still does not have the capacity to share forfeited assets with other jurisdictions.

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

In September 2011 the Prudential Control Authority (ACP) took several measures to improve its ability to fight money laundering and terrorism financing. The ACP has provided guidelines to help financial institutions define and research “the effective beneficiary” of money laundering or terrorism financing. The ACP also has defined new reporting obligations for money exchangers.

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.

Gabon

Gabon is not a regional financial center. However, Gabon suffers from porous borders; and smuggling, which is facilitated by organized criminal groups, is widespread. Despite a new administration professing dedication to improving the fiscal management of the country, entrenched corruption still exists. Embezzlement of state funds, including by politically exposed persons (PEPs), reportedly gives rise to money laundering. There is a large Lebanese expatriate community in Gabon engaged in the timber industry, construction, and general trade. In order avoid tight fiscal controls for the repatriation of profits, many Lebanese families have obtained Gabonese nationality. Hawala and trade are also used to transfer funds and value from Gabon to Lebanon.

The Bank of Central African States (BEAC), based in Yaoundé, Cameroon, is a regional Central Bank that serves six Central Africa countries and supervises Gabon's banking system. BEAC's Economic Intervention Service harmonizes the regulation of currency exchanges in the member states of the Central African Economic and Monetary Community (CEMAC).

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, exchange houses, stock brokerages, casinos, insurance companies, lawyers and accountants

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 80 from 2006 - 2010
Number of CTRs received and time frame: Three from 2006 - 2010
STR covered entities: Banks, exchange houses, stock brokerages, casinos, insurance companies, lawyers and accountants, jewelry shops, car dealers, and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Eight from January - November 2011
Convictions: None in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES
With other governments/jurisdictions: YES

Gabon is a member of the Central African Action Group against Money Laundering and Terrorist Financing (GABAC), an organization in the process of becoming a FATF-style regional body. To date, there is no mutual evaluation for Gabon.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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In September 2005, the Government of Gabon (GOG) created the National Financial Investigations Agency (ANIF), a body designed to lead the fight against money laundering and terrorist financing. Though ANIF is now functional, it not only is hampered by the law, which merges suspicious activity reporting with currency transaction reporting and only requires reporting of suspicious activity for deposits over 5,000,000cfa (approximately \$10,000), but it also lacks the necessary resources (both human and financial) to be effective in its mission. Ten of the 80 ANIF STRs have been sent to the Attorney General; however, the Attorney General has not yet reached a decision on these cases. The Gabonese judicial system has been slow to process money laundering cases because the process is slow and cumbersome despite ongoing reform efforts, and judges are not trained to hear such cases. Moreover, the judiciary remains inefficient and susceptible to inappropriate influence. Police inefficiency, corruption, and impunity remain serious problems; although the government is stepping up its efforts against corrupt officials. Collection of evidence is also difficult.

The Gabonese are willing to cooperate on international law enforcement matters via exchange of diplomatic notes and letters. The GOG should continue working with the CEMAC, BEAC, and international organizations to establish a viable anti-money laundering/counter-terrorist financing regime.

Gambia

The Republic of The Gambia, the smallest African nation with a population of approximately 1.6 million people, is at risk for increased narcotic trafficking and money laundering. The Gambia derives most of its GDP from agriculture, tourism, remittances, and the re-export trade, with most transactions conducted in cash. Although not considered a money laundering hub, the true extent of such activity is unknown. The rapid increase in commercial banks entering the local market in the past few years, currently 13, adds to possible money laundering concerns. The seizure of two tons of cocaine in June 2010 (the biggest ever in West Africa), raised concerns that narcotic trafficking and corresponding money laundering could be bigger problems than initially thought. Since the seizure, the Government of The Gambia (GOTG) has strengthened the National Drug Enforcement Agency and publicly condemned narcotic use and trafficking. Despite these efforts, the country remains under-resourced to combat international traffickers.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks and microfinance entities; money remitters and exchanges; financial instrument and securities brokers/dealers; real estate agents; bullion dealers; casinos; insurance companies and intermediaries; and, trusts

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

Money Laundering and Financial Crimes

STR covered entities: Banks and microfinance entities; money remitters and exchanges; financial instrument and securities brokers/dealers; real estate agents; bullion dealers; casinos; insurance companies and intermediaries; and, trusts

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: One from July 2008 to December 2011

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

The Gambia is a member of the Inter Governmental 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/media/M_evalu/The%20Gambian%20Detailed%20Mutual%20Evaluation%20%20Report\].pdf](http://www.giaba.org/media/M_evalu/The%20Gambian%20Detailed%20Mutual%20Evaluation%20%20Report].pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Despite the will to combat trafficking, money laundering, and terrorist financing, the GOTG lacks the necessary resources to fully implement enforcement programs. The amended 2003 Money Laundering Act includes a comprehensive range of predicate offenses and designated non-financial businesses and professions. Although no U.S. or international sanctions are known to exist against the government, several prominent businessmen operating in the country are known to be financial supporters of terrorism and are subject to U.S. sanctions. In addition, the local affiliate of Lebanese Canadian Bank (LCB), known as Prime Bank Ltd, is currently subject to USA PATRIOT Act Section 311 sanctions for money laundering activity.

There are no known issues with non-profit organizations, alternative remittance systems, offshore sectors, free trade zones, bearer shares, or other specific sectors. The Gambia participates regularly in anti-money laundering/counter-terrorist financing (AML/CFT) training and conferences.

The GOTG should provide adequate resources and capacity to its law enforcement, supervisory and customs personnel so they are able to effectively fulfill their responsibilities. Its fledgling financial intelligence unit should be given autonomy and should be strengthened both in terms of personnel and training to help it operate effectively. The GOTG should become a party to the UN International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Corruption.

Georgia

Illegal income in Georgia derives from tax evasion, falsification of documents, embezzlement, misappropriation of funds, corruption, illegal entrepreneurship, intellectual property rights violations, customs fraud, environmental crimes, and theft. According to the Georgian Ministry of Justice, the bulk of criminal proceeds laundered in Georgia are derived from domestic criminal activity and only a small portion of money laundering is related to narcotics trafficking. Yet there is a market for narcotics based on the number of arrests for drug abuse. South Ossetia and Abkhazia fall outside the control of Government of Georgia authorities and are not subject to monitoring.

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According to the Investigation Service of the Ministry of Finance, there is a small black market for smuggled goods in Georgia. There is little evidence to suggest it is significantly funded from narcotics proceeds, or that the funds generated by smuggling are laundered through the formal financial system. Smuggled goods are sold in black or gray markets to avoid tax and customs duties. The extent of black market trading in the breakaway territories of Abkhazia and South Ossetia is unknown.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, currency exchange bureaus, non-bank depository institutions and microfinance organizations; money remitters; securities brokers and registrars; insurance companies and non-state pension scheme founders; organizers of lotteries and other commercial games; entities engaged in activities related to antiquities, precious metals, precious stones and products thereof; customs authorities; entities engaged in extension of grants and charity assistance; notaries; and the National Agency of the Public Registry

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 11,616 from January 1 to July 31, 2011

Number of CTRs received and time frame: 65,427 from January 1 to July 31, 2011

STR covered entities: Banks, currency exchange bureaus, non-bank depository institutions and microfinance organizations; money remitters; securities brokers and registrars; insurance companies and non-state pension scheme founders; organizers of lotteries and other commercial games; entities engaged in activities related to antiquities, precious metals, precious stones and products thereof; customs authorities; entities engaged in extension of grants and charity assistance; notaries; and the National Agency of the Public Registry

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 63 from January to July, 2011

Convictions: 54 from January to July, 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Georgia is a member of the 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/Georgia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2011, Georgia achieved better results in detection, investigation and prosecution of money laundering, and training and awareness improved. There are a large number of autonomous money laundering prosecutions and convictions. Georgian law enforcement authorities should put more emphasis on pursuing the link between organized crime and money laundering. For example, investigations into narcotics, extortion, weapons of mass destruction, and smuggling rarely pursue financial components. Georgia recognizes an existing drug problem, yet narcotics trafficking is rarely recognized as a predicate offense for money laundering. In 2010 - 2011 the seizure of bulk currency on the borders increased significantly compared to previous years. Between October 2006 and July 2008 only one individual was interdicted attempting to smuggle currency from Georgia. In 2010 - 2011 there were 14 cases. The currency smuggling cases are not being investigated for possible money laundering.

In 2011, a large number of STRs and CTRs were filed by casinos in Georgia but there were no resulting investigations. Similarly, the reports filed by financial institutions, notaries, broker companies and micro finance organizations generate few inquiries. The data compiled by the Financial Monitoring Service, the financial intelligence unit, remains an untapped tool for discovering money laundering from a variety of predicate offenses. There is a lack of information sharing between concerned government agencies and departments.

Germany

While not an offshore financial center, 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 an additional source of laundered funds in Germany. Trends in money laundering include electronic payment systems; financial agents, i.e., persons who are solicited to make their private accounts available for money laundering transactions; and trade in CO₂ emission certificates. Free Zones of control type I exist in Bremerhaven, Cuxhaven, and Hamburg, i.e., freeports. Deggendorf and Duisburg are control type II Free Zones (unfenced inland ports).

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Credit institutions, financial services institutions, payment institutions and e-money institutions as well as their agents; financial enterprises; insurance companies and intermediaries; investment companies; lawyers, legal advisers, auditors, chartered accountants, tax advisers and tax agents; trust or company service providers; real estate agents; casinos; and persons trading in goods

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 11,042 in 2010

Number of CTRs received and time frame: Not applicable

STR covered entities: Credit institutions, financial services institutions, payment institutions and e-money institutions as well as their agents; financial enterprises; insurance companies and intermediaries; investment companies; lawyers, legal advisers, auditors, chartered accountants, tax advisers and tax agents; trust or company service providers; real estate agents; casinos; and persons trading in goods

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 684 in 2010

Convictions: 606 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** 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:

Germany strengthened its AML/CFT regime in 2011, including by: amending AML/CFT provisions governing the financial sector through the Act to Implement the Second E-Money Directive which entered into force at the end of April 2011; extending the list of predicate offenses to include market manipulation, product piracy and insider trading through the Act to Improve the Combating of Money Laundering and Tax Evasion, effective May 3, 2011; clarifying the powers - such as the right to obtain information and enter premises - of the supervisory authorities responsible for non-financial institutions; and submitting the draft Act to Optimize the Prevention of Money Laundering to the German parliament, with adoption envisaged before the end of 2011. While Germany has no automatic CTR requirement, large currency transactions frequently trigger a STR.

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 STRs. Otherwise, it is an administrative offense that carries a fine of up to € 50,000 (approximately \$68,000) under the Money Laundering Act; draft legislation would increase the fine up to € 100,000 (approximately \$133,000). Legal persons are only covered by the Administrative Offenses Act, and are not criminally liable under the Criminal Code.

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.

Notably, on March 10, 2011, a German-Lebanese criminal group was sentenced for laundering money from narcotics sales throughout Europe by transporting it to Lebanon. Assets amounting to € 9.2 million (approximately \$12.271 million) were forfeited. Germany has no federal statistics on the amount of assets forfeited in criminal money laundering cases. Assets can be forfeited as part of a criminal trial or through administrative procedures such as claiming back taxes.

Germany should become a party to the UN Convention against Corruption.

Ghana

Ghana is becoming an important regional financial center. Most of the money laundering in Ghana involves narcotics, various forms of fraud, and public corruption. Ghana is a significant transshipment point for cocaine and heroin transiting from South America, Iran, and Afghanistan to Europe and the United States. Criminals also launder illicit proceeds through investment in banking, insurance, real estate, automotive import, and general import businesses, and reportedly, donations to religious institutions. Financial crimes such as advance fee fraud, known as Sakawa in Ghana, stolen credit and ATM cards originating in Ghana, and check cloning continue to increase. Public corruption is a major source of money laundering in Ghana, occurring mainly through public procurements and the award of licenses.

Informal financial activity accounts for about 45% of the total Ghanaian economy. Some traders import counterfeit goods or smuggle goods to evade taxes. In most cases, the smugglers bring the goods into the country in small quantities, and Ghanaian authorities have no indication these smugglers have links to criminals who want to launder proceeds from narcotics or corruption. Trade-based money laundering is sometimes used to repatriate “profit” and also for payment of lower customs duties and other taxes.

In September 2007, the first offshore banking facility in Ghana was established. Regulations governing domestic and offshore banks are largely similar. Both are required to perform customer due diligence and file suspicious transaction reports (STRs). Ghana has designated four free trade zone (FTZ) areas, but the Tema Export Processing Zone is currently the only active FTZ. Ghana also licenses factories outside the FTZ area as free zone companies. Free zone companies, most of which produce garments and processed foods, must export at least 70% of their output. The Ghana Free Zone Board and the immigration and customs authorities monitor these companies. There are identification requirements for companies, individuals, and their vehicles in the free zone; however, monitoring and due diligence procedures are lax.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

Covered entities: Banks, insurance and securities firms, casinos, auctioneers, notaries, lawyers, non-governmental organizations (NGOs), accountants, religious bodies, real estate developers, operators of games of chance, trust and company service providers, businesses engaged in providing financial services that involve the remittance or exchange of funds, dealers in motor vehicles, dealers in precious minerals and stones

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 105 from January - November 2011

Number of CTRs received and time frame: Not applicable

Covered entities: Banks, non-bank financial institutions, auctioneers, lawyers, notaries, accountants, religious bodies, NGOs, money remitters, securities, casinos, insurance and real estate companies, dealers in precious metals and stones, car dealers, and trust and company service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdiction: YES

Ghana is a member of the Inter Governmental 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=43&mod=2&men=3>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Ghana has developed an action plan to address its identified deficiencies, but in 2011, the Government of Ghana (GOG) did not make significant progress on implementing its action plan. While regulations to implement the AML Act were passed in March, Ghana still lacks implementing regulations for the Anti-Terrorism Act, Economic and Organized Crime Act, and Mutual Legal Assistance Act. Ghana lacks adequate criminalization of terrorism financing, and there are doubts whether the legislation is enforceable. Consequently, Ghana does not have adequate procedures to freeze, seize, and confiscate terrorist assets or confiscate the proceeds of money laundering. Furthermore, the Ghana Financial Intelligence Centre and Bank of Ghana have drafted AML/CFT guidelines, but they merely replicate the FATF Recommendations and guidance from a neighboring jurisdiction, and do not correspond with Ghana's AML Regulations and other Ghanaian legislation. Additionally, the GOG should institute a beneficial ownership identification requirement and require that the true names of all onshore and offshore entities and their beneficial owners be held in a registry accessible to law enforcement.

Ghana should also take the necessary steps to promote public awareness and understanding of financial crime, money laundering, and terrorist financing activities. There is a general need to strengthen the financial investigation and analytical skills of officers across all law enforcement and intelligence agencies, as well as to increase staffing and training in the prosecutorial and judicial institutions, and in the Financial Intelligence Centre itself.

Ghana has entered into a Customs Mutual Assistance Agreement with the U.S., which facilitates information sharing between the customs administrations of the two countries.

Ghana should ratify the United Nations Convention against Transnational Organized Crime and criminalize other predicate offenses in line with international standards.

Gibraltar

Gibraltar, an overseas territory of the United Kingdom (UK), is part of the European Union. A November 2006 referendum resulted in constitutional reforms transferring powers exercised by the UK government to Gibraltar. Gibraltar has an international financial center which is small internationally, but large in comparison to its domestic economy. The financial services sector has strong ties to London, the Crown Dependencies, Israel and other financial centers. Bordering Spain and near the north coast of Africa, Gibraltar is adjacent to known drug trafficking and human smuggling routes and is heavily policed on land and at sea because of the risk of these activities occurring within its borders or territorial waters.

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Gibraltar is exposed to money launderers located in drug producing centers in Morocco and drug consumption and distribution networks in Spain. With the establishment in southern Spain of organized criminal activities from Eastern Europe, there is potential for launderers to use Gibraltar as a base for money laundering. These risks are mitigated by the small coastline and effective policing. Border controls between Gibraltar and Spain also help deter potential money launderers wishing to use Gibraltar for their activities.

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:*** Not available

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, mutual savings companies, insurance companies, financial consultants, investment businesses, postal services, exchange bureaus, attorneys, accountants, financial regulatory agencies, unions, casinos, lotteries, charities, car dealerships, yacht brokers, company formation agents, political parties, real estate agents, notaries, and dealers in gold bullion and high value goods

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 362 in 2011
Number of CTRs received and time frame: Not available
STR covered entities: Any legal person, whether or not they conduct financial services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Gibraltar is not a member of a Financial Action Task Force (FATF)-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Gibraltar has a comprehensive range of anti-money laundering/counter-terrorist financing (AML/CFT) laws. The criminal laws on money laundering have been consolidated in draft form, and powers presently available only in drug-related money laundering cases are being extended to money laundering cases involving the proceeds of other crimes. The Financial Services Commission (FSC), a unified regulatory and supervisory authority for financial services, notes the increasing sophistication of money launderers. The FSC should continue to review regulatory and supervisory practices to keep pace with new developments.

Gibraltar, as a UK overseas territory, cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for Gibraltar’s international affairs and may arrange for the ratification of

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any convention to be extended to Gibraltar. The UN Convention against Transnational Organized Crime was extended to Gibraltar in 2007. The 1988 Drug Convention, the UN Convention against Corruption, and the International Convention for the Suppression of the Financing of Terrorism have not yet been extended to Gibraltar, although the legislation for such extension is in place.

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 reform commitments under its European Union (EU)-IMF bailout 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.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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: NO civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC 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, dealers in high value goods, auctioneers, and pawnbrokers; notaries, lawyers, and persons providing services to companies and trusts

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 3,479 in 2011

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Number of CTRs received and time frame: Not available

STR 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, dealers in high value goods, auctioneers, and pawnbrokers; notaries, lawyers, and persons providing services to companies and trusts

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 134 in 2011

Convictions: 58 in the first half of 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** 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-afi.org/document/23/0,3343,en_32250379_32236963_38916695_11_1_1,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Greece (GOG) has been working to improve the effectiveness of the Greek financial intelligence unit (FIU). Greek authorities have hired sufficient staff to carry out the extensive functions with which the FIU is tasked. The GOG has also made available adequate 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 still needs to ensure that its confiscation regime is more effectively implemented and used. While the 2008 anti-money laundering/countering the financing of terrorism (AML/CFT) law contains provisions allowing civil asset forfeiture under special circumstances, 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.

In March 2011, an amendment to the 2008 AML/CFT law (Law 3932/A49/10-3-2011) established a new entity, the Financial Sanctions Unit (FSU). The FSU is tasked with designating terrorists in accordance with UNSCR 1373, outside the EU listing system, and issuing executive orders to freeze the assets of internationally designated terrorists. It is unclear if the executive order procedure applies to suspected terrorists designated domestically. The GOG has provided guidance to financial institutions and designated non-financial businesses and professions on freezing assets without delay, and has begun to monitor for compliance, though the effectiveness of the monitoring is still undetermined. The GOG is authorized to impose sanctions on entities for noncompliance with freeze orders.

While Greece has made positive strides in the supervision area, particularly with its transfer of 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, but is difficult to address in light of a general hiring freeze

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in the public sector due to Greece's debt crisis. It also remains unclear whether the Ministry of Justice has enough resources available to deal with money laundering or terrorist finance related cases.

The GOG has instituted regulatory measures requiring that transactions above €3,000 (approximately \$3,850) be executed with credit cards, checks or cashiers' checks and that all business-to-business transactions in excess of €3,000 (approximately \$3,850) be carried out through checks or bank account transfers. All credit and financial institutions, including payment institutions, must also report on a monthly basis all transfers of funds abroad executed by credit card, check or wire transfer. Nevertheless, the GOG should adopt a system for reporting large currency transactions across all regulated sectors and explicitly abolish company-issued bearer shares. It should also continue to improve enforcement of its cross-border currency reporting requirements and improve efforts 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 level of enforcement of AML/CFT controls as other sectors and work steadfastly to bring charitable and nonprofit organizations under the AML/CFT regime.

Grenada

Grenada is not a regional financial center. As a transit location, money laundering in Grenada is primarily related to smuggling and drug trafficking from domestic organized crime rings. Illicit proceeds are typically laundered through a wide variety of businesses, as well as through the purchase of real estate, boats, jewelry, and cars.

There are no clear statistics available on Grenada's offshore financial sector, although offshore banking and trust companies and international business companies are allowed and some are registered. There were reports that one international betting company was licensed to conduct business in Grenada, but no casinos or Internet gaming sites are in operation. There are no free trade zones in Grenada.

Bearer shares are not permitted for offshore banks. The International Companies Act requires registered agents to maintain records of the names and addresses of company directors and beneficial owners of all shares. Grenada's economic citizenship program remains suspended, removing one possible risk factor for money laundering 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: List approach
Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, investment and merchant banks, and building societies; trusts and trust companies; insurance companies; registered agents; exchange bureaus, money and funds remitters, and postal courier services; credit unions; lending, factoring, and forfeiting check cashing services; financial leasing; venture risk capital; issuers and administrators of means of payment; guarantors; investment and funds traders, advisors, and underwriters; bullion dealers; financial intermediaries; custody services; asset management services; company formation and management services;

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collective investment schemes and mutual funds; real estate agents; casinos, internet gaming, pool betting, and lottery agents; lawyers, accountants, and notaries

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 170 as of November 4, 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, investment and merchant banks, and building societies; trusts and trust companies; insurance companies; registered agents; exchange bureaus, money and funds remitters, and postal courier services; credit unions; lending, factoring, and forfeiting check cashing services; financial leasing; venture risk capital; issuers and administrators of means of payment; guarantors; investment and funds traders, advisors, and underwriters; bullion dealers; financial intermediaries; custody services; asset management services; company formation and management services; collective investment schemes and mutual funds; real estate agents; casinos, internet gaming, pool betting, and lottery agents; lawyers, accountants, and notaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: One

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Grenada 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/Grenada_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Grenada_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Grenada should pass pending legislation on its financial intelligence unit as well as draft legislation meant to address the proceeds of crime, money laundering and terrorist financing. It should also issue new anti-money laundering and terrorist financing guidelines in line with international recommendations.

Grenada should become a party to the UN Convention against Corruption.

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. Smuggling of the precursors to methamphetamine is also a problem. Reports suggest 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, firearms, contraband, kidnapping, tax evasion, and vehicle theft, is substantial. There is no indication of terrorist financing activities.

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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 is a category of "offshore" banks in Guatemala in which the money of the customers (usually Guatemalans with average deposits of \$100,000) is legally considered to be deposited in the foreign country where the bank's head office is based. In 2010, there were seven "offshore" entities, with head offices in Panama, the Bahamas and Puerto Rico. These "offshore" banks are subject to the same AML/CFT regulations as any local bank. Guatemala has 17 active free trade zones (FTZs) and six more are supposed to start operations soon. They are mainly used to import duty-free goods utilized in the production of products for exportation. There are no known cases or allegations that indicate the FTZs are hubs of money laundering or drug trafficking. There are no reported hawala or other money or value transfer services operating in Guatemala. A significant number of remittances are transferred through banks and appear to pose little risk for money laundering.

Casinos are not legal in Guatemala, however, a number of casinos, games of chance and video lotteries operate, both onshore and offshore. Unsupervised gaming activity represents a significant money laundering risk.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC 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 precious metals and stones, motor vehicles, and art and antiquities; and real estate agents

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 421 in 2011 (as of October 31, 2011)
Number of CTRs received and time frame: 5,502,434 in 2011 (as of September 30, 2011)
STR 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 precious metals and stones, motor vehicles, and art and antiquities; and real estate agents

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 59 in 2011
Convictions: Ten people in eight cases in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* 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 inadequate number of staff at the FIU and the limited capacity of law enforcement officials may hamper the ability of the authorities to prosecute more cases.

In December 2009, former President Alfonso Portillo was indicted on one count of conspiracy to commit money laundering in the United States. On August 26, 2011, Guatemala's Constitutional Court unanimously upheld the U.S. request to extradite former President Portillo on that charge. The Public Ministry is still awaiting the outcome of its appeal of Portillo's May 9 acquittal on embezzlement charges in Guatemala, and the extradition remains pending based on the outcome of that case.

Law enforcement agencies report that money laundering continued to increase 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 forfeitures took effect in June 2011 and allows Guatemalan authorities to seize cash used in structuring transactions and transfer it to the state without first having to obtain a criminal conviction against the courier. The same law also prevents 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 2010, Guatemalan monetary authorities approved a regulation to establish limits for cash deposits in foreign currency, notably requiring more information and bank certification for transactions totaling over \$3,000 per month. According to law enforcement authorities, purchases of foreign currency declined 34% during the first eight months of 2011, which they attribute to the new regulation.

The government should either enforce the law with regard to casinos or work to regulate them under the AML law, as are lotteries and raffles. Attempts by the government to enforce requirements have not been successful. Lotteries and raffles are subject to local jurisdiction licensing but are not subject to AML/CFT supervision.

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 (UK), it relies on the 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 authorities undertake efforts to reduce vulnerability to money laundering.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF

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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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO
KYC covered entities: Banks, lending firms, financial instrument issuers and managers, and money service businesses; insurance companies and intermediaries; investment firms and funds, safekeeping and portfolio management services; trust and company service providers; lawyers, accountants, notaries, and estate agents; dealers of precious metals and stones; and eGambling services

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 673 in 2010
Number of CTRs received and time frame: Not applicable
STR covered entities: All businesses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two in 2010
Convictions: Two in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* 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. The legal framework provides an ability to freeze and confiscate assets in appropriate circumstances.

Guernsey’s comprehensive AML/CFT legal framework provides a sound basis for an effective AML/CFT regime, and remaining shortcomings are technical in nature. 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,

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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

Guinea is not a regional financial center. In the past several years, Guinea has undergone profound political change. In December 2010, Alpha Condé became Guinea's first democratically elected president following over fifty years of authoritarian and military rule. Due to past political instability, rampant corruption and its proximity to countries such as Guinea-Bissau, Guinea has been an historical hub for drug trafficking. The current focus on the transition to democracy has resulted in the relegation of money laundering and trafficking issues to secondary concerns. Guinea's economy is still fragile and largely cash-dependent, posing a vulnerability for money laundering, but the weak banking sector is an unlikely conduit for large-scale money laundering activities.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Public Treasury, Central Bank, financial institutions, real estate and travel agencies, auditors, service companies, casinos, cash couriers, NGOs, lawyers, accountants, securities brokers and dealers, and notaries

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Public Treasury, Central Bank, financial institutions, real estate and travel agencies, auditors, service companies, casinos, cash couriers, NGOs, lawyers, accountants, securities brokers and dealers, and notaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Guinea is a member of the Inter Governmental Action Group against Money Laundering and the Financing of Terrorism in West Africa (GIABA), a Financial Action Task Force (FATF)-style regional body. Guinea has not yet undergone a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Because money laundering and trafficking issues are not considered priority topics, Guinea has not yet criminalized money laundering or terrorist financing to comport with international standards.

Although institutions are in place to investigate money laundering and financial irregularities, they are hampered by corruption, political tension and serious limitations in authority and scope. Guinea's fledgling FIU, headquartered in the Central Bank, is affected in this way. Additionally, the Guinean security forces are ill-equipped, disorganized, and under-trained. For the last several years, they have been reliant upon outside assistance and training in matters involving money laundering. An ineffective judicial sector also derails Guinean attempts to enforce its laws.

Guinea should criminalize money laundering and terrorist financing in line with international standards and assign resources to implement a comprehensive legal and regulatory framework. It should also strive to staff and train its law enforcement entities, and empower them with the authorities to undertake their eventual responsibilities once Guinea enacts effective legislation.

Guinea-Bissau

Guinea-Bissau has repeatedly, over the past few years, been called a 'narco-state'. Although President Sanha has declared the problem a top priority for his administration, the Government of Guinea-Bissau (GOGB) 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. The multitude of small offshore islands and a military able to sidestep government with impunity has made it a favorite trans-shipment point for drugs. 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. Of all West African countries, none has been so thoroughly penetrated and corrupted by Latin American drug cartels as Guinea-Bissau. 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.

The police have seized a number of major drug shipments in past years, and representatives of the state have been linked to drug trafficking networks. Some of the arrested traffickers and seized drugs later vanished from the state's prisons and coffers, with no explanation forthcoming from the Bissau-Guinean authorities. A major bank operating in Guinea-Bissau reportedly had significant involvement in the laundering of proceeds from drug trafficking between South America and Europe/the Middle East via Guinea-Bissau.

The formal financial sector in Guinea-Bissau is undeveloped and badly supervised. It is also dwarfed by the size of the informal and cash sectors in addition to the underground economy. The cohesion and effectiveness of the state itself is very poor: the police are under-resourced and understaffed; corruption is a major problem; and the judiciary has reportedly demonstrated a lack of integrity on a number of occasions. Many government offices, including the justice ministry, lack basic resources, such as electricity, to function.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF

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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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, microfinance institutions, exchange houses, securities firms, insurance companies, casinos, brokerages, charities, nongovernmental organizations (NGOs), and intermediaries such as lawyers, accountants, notaries and broker/dealers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, microfinance institutions, exchange houses, securities firms, insurance companies, casinos, brokerages, charities, nongovernmental organizations (NGOs), and intermediaries such as lawyers, accountants, notaries and broker/dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None
Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** 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-style regional body. Its most recent mutual evaluation can be found here: <http://www.giaba.org/index.php?type=c&id=45&mod=2&men=2>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Anti-Money Laundering Uniform Law, a required law for members of the Economic Community of West African States (ECOWAS), is not implemented effectively. There is still no financial intelligence unit (FIU) in operation, making much of the legislation unable to be implemented.

GOGB authorities expect to establish an FIU soon. The GOGB should ensure resources are available to sustain the FIU's capacity and should put in place and train its staff. It also should work to improve the training and capacity of its police and judiciary to combat financial crimes. Guinea-Bissau needs assistance to finance, staff, train and equip its justice and police departments. 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.

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. Reportedly, banks are reluctant to file STRs because of the fear of tipping off by an allegedly indiscrete judiciary.

Guinea-Bissau needs to improve the coordination of efforts at the national, sub-regional, regional and international levels, reforming the country's institutions. The Government of Guinea-Bissau (GOGB) should continue to work with its partners in GIABA, ECOWAS and other organizations 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. 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.

Guyana

Guyana is neither an important regional nor offshore financial center. It continues to be a transshipment route for South American cocaine and heroin destined for the United States and for cash returning to South America. Smuggling of the precursors to methamphetamine is also a problem. Reportedly, the narcotics trade may be increasingly linked to arms trafficking involving Europe and the Western Hemisphere.

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 Guyana. Narcotics trafficking and corruption are alleged to be the primary sources of laundered funds; however, the laundering of proceeds from other illicit activities, such as human trafficking, contraband, kidnapping, tax evasion, and vehicle theft, is substantial.

Guyana's geographic location makes it an ideal haven for transnational organized crime groups, including human and drug trafficking organizations. There are free trade zones operating in the country. There are no reported hawala or other money or value transfer services. Casinos are legal in Guyana and may pose a 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.: 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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Depository institutions; lending institutions and credit issuers; financial leasing entities; money transfer and exchange services; pawn brokers; guarantors and underwriters; traders of foreign exchange, futures, options and securities; financial advisers; money brokers; credit unions; portfolio managers and administrators; gaming centers and lotteries; insurance entities; venture risk capital; trusts or company service providers; legal professionals; real estate agents; dealers in precious metals and stones; and registered charities

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Depository institutions; lending institutions and credit issuers; financial leasing entities; money transfer and exchange services; pawn brokers; guarantors and underwriters; traders of foreign exchange, futures, options and securities; financial advisers; money brokers; credit unions; portfolio managers and administrators; gaming centers and lotteries; insurance entities; venture risk capital; trusts or company service providers; legal professionals; real estate agents; dealers in precious metals and stones; and registered charities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Guyana 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/mutual-evaluation-reports.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Guyana (GOG) needs to increase the implementation of the 2007 Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) legislation and improve its effectiveness. It also needs to provide additional resources to the expanded financial intelligence unit (FIU). Guyana's regulations with regard to suspicious activity reporting, wire transfers and customer due diligence need to be strengthened. The GOG should specifically criminalize tipping off.

The GOG is highly centralized and hierarchical, with significant decisions requiring presidential approval. This discourages individual initiative and the exercise of individual discretion, and money laundering investigations are extremely slow. The GOG needs to raise the awareness and understanding of the anti-money laundering regime and the AML/CFT law of the agencies with capacity to investigate money laundering cases and the judicial system.

Haiti

Haiti is the poorest country in the Western Hemisphere and relies heavily on remittances from abroad. Haitian organized crime groups are engaged in drug trafficking and other criminal and fraudulent activity, but do not at this time appear to be involved in terrorist financing. While not a major financial center itself, regional money laundering enterprises utilize Haitian couriers, especially via air hub routes to Central America.

The weakness of the Haitian judicial system and prosecutorial mechanism continues to leave the country vulnerable to corruption and money laundering despite improving financial intelligence and enforcement capacity. A positive development in this regard was the naming of a President of Haiti's Supreme Court in October.

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Haiti has one operational free trade zone in Ouanaminthe and two under development in Port-au-Prince. It is believed “contrabanding” (using smuggled bulk cash to buy products which are shipped to South America and sold) could be a problem. There are at least 62 casinos in Haiti, the majority unlicensed; however, online gaming is illegal.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: All natural and legal persons who, as part of their profession, perform, oversee, or advise operations involving deposits, trading, investments, conversions, or any other movement of capital

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 49 from January 1 to October 19, 2011

Number of CTRs received and time frame: 244,297 from January 1 to October 19, 2011

STR covered entities: All natural and legal persons who, as part of their profession, perform, oversee, or advise operations involving deposits, trading, investments, conversions, or any other movement of capital

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** NO

With other governments/jurisdictions: YES

Haiti 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/Haiti_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Haiti_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In the spring of 2011, concerns were raised on the effectiveness of law enforcement and customs in the wake of a U.S.-Panamanian law enforcement operation which traced over \$100 million in cash arriving annually from Haiti to Panama via scheduled commercial airline flights. Neither the Haitian banking sector nor customs officials at Port-au-Prince’s international airport were aware of these transfers that averaged \$25,000 per passenger and over \$1 million per flight.

The Government of Haiti (GOH) remains hampered by ineffective and outdated criminal and criminal procedural codes, and by the inability of judges and courts to address cases referred for prosecution. The government should move ahead on the proposed new criminal and criminal procedural codes that would address these problems. The GOH should pass the anti-terrorist legislation that has been submitted to

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Parliament which would criminalize terrorist financing and allow the immediate freezing of terrorist assets without delay.

Haiti's AML law is written quite broadly and does not explicitly cover the types of entities addressed in the international standards. Implementation of the current law appears to cover only the banking industry. Financial entities not supervised by the Central Bank and designated non-financial businesses and professions are not subject to supervisory oversight and/or have not received appropriate training regarding their AML/CFT responsibilities. Haiti's AML law should be rewritten or amended to explicitly detail the types of entities subject to the law, as proscribed in the international standards.

The amount of STRs is extremely low and only the banking sector submits reports. The Central Financial Intelligence Unit (UCREF) is ineffective due to its limited budget, lack of staff training and integrity, broad interpretation of the law, lack of autonomy, and limited access to foreign counterparts' information. The government should fully fund UCREF and other anti-money laundering entities. UCREF should become fully operational and should seek membership in the Egmont Group of FIUs so that it can effectively share sensitive financial information with its foreign counterparts.

The Haitian government's assistance to the U.S. Government was instrumental in obtaining, among other charges, money laundering and bribery convictions against several U.S. residents in a scheme involving the use of shell companies and false records to attempt to provide over \$890,000 in bribes to Haitian officials.

Holy See (Vatican City)

The Holy See is an atypical government, being simultaneously a sovereign entity and the religious leadership of the Roman Catholic Church. The Institute for Works of Religion (IOR) performs functions similar to that of a bank, so it is commonly referred to as the "Vatican Bank." Unlike a normal bank, the IOR does not loan money, and IOR accounts do not collect interest; nor does the IOR make a profit for shareholders or owners. Rather, the IOR acts as a clearinghouse for Vatican accounts, moving funds from Catholic Church sources to Catholic Church destinations.

There is no market for illicit or smuggled goods in Vatican City, the 0.17 square mile physical territory in which the government of the Holy See exercises its authority. The population of Vatican City, around 800, consists almost entirely of priests (Holy See officials) and members of religious orders.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Dicasteries of the Roman Curia and for every institution, entity, or person dependent on the Holy See, including the Institute for Works of Religion

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

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Number of STRs received and time frame: Fewer than five since January 1, 2011

Number of CTRs received and time frame: Zero in 2011

STR covered entities: Dicasteries of the Roman Curia and for every institution, entity, or person dependent on the Holy See, including the Institute for Works of Religion

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Zero in 2011

Convictions: Zero in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

In 2011, the Holy See became an active observer of the 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 first mutual evaluation was conducted in late 2011. Once adopted, the report will be available at: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/HolySee_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In September 2009, the IOR saw 23 million euros (approximately \$30 million) of its funds frozen by Italian financial authorities. That episode did not result in the prosecution of any Vatican officials. It did impel Vatican City State and the Holy See to promulgate a series of new laws to bring the Holy See in line with internationally accepted standards on money laundering and fraud. The IOR has also undertaken a series of internal reforms. On May 31, 2011, the Italian authorities released the frozen assets and the case was dropped.

On December 30, 2010, the Pontifical Commission for Vatican City State announced new laws for the prevention and countering of illegal activities in the financial and monetary sectors. The same day Pope Benedict XVI released an apostolic letter titled “For the Prevention and Countering of Illegal Activities in the Area of Monetary and Financial Dealings,” which made the law effective for all bodies canonically part of the Holy See, including those without a physical presence inside Vatican City State. These laws entered into force on April 1, 2011.

The laws of December 30 were formulated to implement the Monetary Convention of December 17, 2009 (2010/C 28/05) between Vatican City State and the European Union (EU), which allows Vatican City State to use the euro as its official currency. The laws were drafted with the assistance of the Mixed Committee, composed of representatives of Vatican City State and the EU. The Holy See’s Secretariat of State issued a communiqué on the new laws, including the “Law concerning the prevention and countering of the laundering of proceeds from criminal activities and of the financing of terrorism;” and the “Law on fraud and counterfeiting of Euro banknotes and coins.” The explicitly declared purpose of the law on fraud and counterfeiting is the protection of euro banknotes and coins. The law on the prevention of money laundering contains three obligations: adequate verification of the counterpart; registration and maintenance of data concerning ongoing relations and operations; and reporting of suspicious transactions. According to this law, all transactions dependent on the Holy See, whether through the IOR or not, require the parties to provide full identification, the records of which are kept for ten years.

The new laws also created the Financial Information Authority (AIF), a financial intelligence unit (FIU). By law, any suspicious transaction must be reported to the AIF for investigation. In addition, the movement of more than 10,000 euros (approximately \$13,000) across the Vatican-Italian border must be

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reported. The AIF has jurisdiction over all international financial transactions that involve organizations or persons dependent on the Holy See. The judicial authorities of Vatican City State exercise penal jurisdiction over all bodies which fall under the AIF's purview.

The Holy See has mechanisms in place to cooperate fully with other FIUs on investigations for money laundering and fraud. The new laws of December 2010 provide for forfeiture of seized assets in the case of a conviction; in the case of cooperation with foreign FIUs, the law permits sharing of third-party assets.

The Holy See is pursuing accession to the 1988 UN Drug Convention, the UN International Convention for the Suppression of the Financing of Terrorism, and the UN Convention against Transnational Organized Crime. It should become a party to the UN Convention against Corruption.

The Holy See has the legal framework in place to combat money laundering, fraud, and terrorism finance. The Vatican has taken steps to bring its laws in line with international standards. It has the legal framework to allow the government to freeze assets in a timely manner, and there are no judicial impediments to the ability of the AIF to execute its mandate. The Vatican should ensure its new laws are fully implemented to effectively deter illicit financial activity.

Honduras

Honduras is not an important regional or offshore financial center. It continues to be a transshipment route for South American cocaine and heroin destined for the United States and for cash returning to South America. Smuggling of the precursors to methamphetamine is also a problem.

Weak law enforcement and judiciary systems coupled with endemic corruption and increasing organized crime activity contribute to a favorable climate for significant money laundering activity. Assassination, human smuggling, weapons trafficking and organized crime are the main sources of laundered funds. Money laundering derives from domestic and foreign criminal activity, and the majority of proceeds are suspected to be controlled by international criminal organizations partnered with local crime syndicates. Laundered proceeds typically pass directly through the formal banking system, but illicit funds are increasingly being used to purchase businesses and real estate, yachts, luxury automobiles, armored cars, and other big-ticket items. Laundering funds through remittance companies, currency exchange houses, the construction sector, the insurance sector, the agricultural sector, and automobile and real estate front companies may be increasing. The country has several free trade zones. There are indications that trade-based money laundering may be occurring in these zones.

Honduras' geographic location makes it an ideal haven for transnational organized crime groups, including human and drug trafficking organizations. The Central America Four Agreement among 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 no reported hawala or other money or value transfer services operating in Honduras. A significant number of remittances are transferred through banks and appear to pose little risk for money laundering. Casinos are legal in Honduras and unsupervised gaming activity may represent a money laundering risk.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF

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U.S. 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 crime: All serious crimes
Legal persons covered? criminally: YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** YES
KYC Covered entities: Banks, money service businesses, real estate agents, accountants, attorneys, casinos and lotteries, bingo operators, antique and art shops, commercial precious metals companies, notaries, company administrators, postal service companies, currency and valuables transportation firms, non-governmental organizations, funds transfer firms, international financial services companies

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 314 January to October 2011
Number of CTRs received and time frame: 2,189,603 January to September 2011
STR covered entities: Banks and financial institutions, real estate agents, used car dealerships, antique and jewelry dealers, pawn shops, remittance companies, armored car contractors, and non-governmental organizations

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS

Prosecutions: 26 from January to October 2011
Convictions: Three from January to October 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other:*** YES
With other governments/jurisdiction: YES

Honduras 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/Honduras_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Honduras_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The government of Honduras should increase the staff and capacity of the National Banking and Insurance Commission, the primary regulator for AML/CFT compliance. In addition, while changes in the law in 2010 gave the country's financial intelligence unit new powers, it remains inadequately staffed. Honduras needs to continue efforts to ensure the Office that Administers Seized and Forfeited Assets is not politicized or susceptible to corruption.

Overall, there is a lack of cooperation, communication, and coordination at all levels of the government that prevents a higher success rate in investigations and prosecutions. The government should strengthen the Interagency Commission for the Prevention of Money Laundering and Financing of Terrorism.

Hong Kong

Hong Kong, a Special Administrative Region (SAR) of the People's Republic of China, is a major international financial and trading center. As of September 2011, Hong Kong's stock market was the

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world's seventh largest and Asia's third largest, with \$2.08 trillion in market capitalization. Already the world's tenth largest banking center in terms of external transactions and the sixth largest foreign exchange trading center, Hong Kong has continued its expansion as an offshore Renminbi (RMB) financing center, accumulating as of September 2011 over \$98 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 tax rates 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. Primary sources of laundered funds, derived from local and overseas criminal activity, are: illegal gambling, fraud, financial crimes, loan sharking, goods smuggling activities and vice. Hong Kong law enforcement authorities attribute only a small percentage of laundered funds to drug trafficking organizations.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, securities and insurance entities, money exchangers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 14,751 from January to September 2011
Number of CTRs received and time frame: Not applicable
STR covered entities: All persons, irrespective of entity or amount of transaction involved

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 223 from January to September 2011
Convictions: 158 from January to September 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** 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:

Hong Kong enacted legislation in July 2011 (AML/CFT Ordinance) that will go into effect in April 2012 and better align its financial sector with prevailing international standards. The legislation provides

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statutory backing to existing financial regulatory guidelines on preventive AML measures, including customer due diligence and record keeping requirements for financial institutions, and puts in place a licensing and regulatory regime for remittance agents and money changers. It also grants authority for administrative and criminal sanctions.

In April 2010, the Government of Hong Kong initiated an ongoing study for 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 should 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.

As a SAR of China, Hong Kong cannot sign or ratify international conventions in its own right. Rather, China is responsible for Hong Kong's international affairs and may arrange for the ratification of any convention to be extended to Hong Kong. The 1988 Drug Convention was extended to Hong Kong in 1997. The UN Convention against Corruption, the International Convention for the Suppression of the Financing of Terrorism, and the UN Convention against Transnational Organized Crime were extended to Hong Kong in 2006.

Hungary

Hungary is not considered a major financial center; however, its European Union (EU) membership and its pivotal location in Central Europe - as a link between the former Soviet Union and Western Europe - as well as its cash-based economy and well-developed financial services industry make it attractive to foreign criminal organizations. Money laundering cases mostly stem from financial and economic crimes, such as fraud, embezzlement, tax evasion, and tax and social security fraud, although narcotics trafficking, prostitution, trafficking in persons and organized crime activities also contribute. Other prevalent economic and financial crimes include real estate fraud and the copying/theft of bankcards. There is a black market for smuggled goods in Hungary, primarily related to customs, excise, and value-added tax evasion. No international terrorist groups are known to operate in Hungary.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks; investment service providers, employer pension services, and commodity exchange services; insurance intermediary and mutual insurance fund services; sellers and issuers of domestic and international postal money orders; real estate agents and brokers; auditors;

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accountants; tax consultants and advisors; casinos or other gambling services; precious metal and high value goods traders; lawyers; and notaries

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 3,144 from January to July 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; investment service providers, employer pension services, and commodity exchange services; insurance intermediary and mutual insurance fund services; sellers and issuers of domestic and international postal money orders; real estate agents and brokers; auditors; accountants; tax consultants and advisors; casinos or other gambling services; precious metal and high value goods traders; lawyers; and notaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Nine from January to May 2011

Convictions: Five from January to May 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Hungary is a member of the 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 evaluation can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Hungary_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In September 2011, in a government resolution, Hungary adopted an action plan to address noted deficiencies in its anti-money laundering/counter-terrorist financing (AML/CFT) regime. The action plan establishes a road map for the relevant authorities responsible for AML/CFT issues. As of November 2011, Hungarian authorities had started implementing tasks as determined by the action plan.

Iceland

Iceland is not considered a regional financial center. Money laundering in Iceland is related primarily to narcotics smuggling and trading and is not considered a major problem. Criminal proceeds tend to derive from domestic organizations with some linkages to foreign groups. In 2011, investigators continued to look into the 2008 collapse of Iceland's financial system and to re-examine allegations that its banks may have been involved in money laundering. The collapse of the Icelandic banks continues to affect the activities of the Financial Intelligence Unit (FIU), not least in connection with foreign interaction and information exchange with its counterparts abroad due to investigation into cases relating to the collapse.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks; currency exchanges; attorneys; auditors; real estate dealers; trust, safekeeping, and company service providers; life insurance companies and pension funds; insurance brokers and intermediaries; securities brokers; and dealers in vessels or any high-value items

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 414 in 2010

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; currency exchanges; attorneys; auditors; real estate dealers; trust, safekeeping, and company service providers; life insurance companies and pension funds; insurance brokers and intermediaries; securities brokers; and dealers in vessels or any high-value items

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: One in 2010

Convictions: One in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES

With other governments/jurisdictions: YES

Iceland is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/54/38/37706239.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Iceland (GOI) has improved its anti-money laundering/counter-terrorist financing (AML/CFT) system through the enforcement of existing laws, and review and implementation of international standards. A domestic mechanism should be implemented to allow designation of terrorists at a national level as well as to give effect to designations and asset freeze requests from other countries. Iceland does have a legal framework that allows authorities to freeze terrorist assets in a timely manner; however, all orders to freeze assets must have prior judicial approval. The country does not have asset sharing capabilities. The GOI should continue to enhance its AML/CFT program, as appropriate.

The Economic Crime Unit at the National Commissioner of the Icelandic Police and the Office of the Special Prosecutor, which is responsible for investigating the banking collapse, merged on January 1, 2012. As a result of the merger, both the investigation and prosecution of cases that have been dealt with at the Police's Economic Crime Unit are now the responsibility of the Special Prosecutor. The National Commissioner of the Icelandic Police will only be involved in receiving announcements and tip offs based on money laundering and terrorist financing laws – not in investigating potential legal violations. In addition, a committee will be appointed to review the organization and arrangement of investigations and prosecutions, and make suggestions for future improvements. Several new positions are being moved and established as a result of the merger.

The authorities' collaborative committee on measures against money laundering continues to educate reporting parties, including those who have not received education or training regarding measures against money laundering. According to the FIU, considerable achievements have been made in this area and most reporting parties should now be able to comprehend the importance of such measures in their activities. A shortage of reports from non-financial institutions, however, indicates that more still needs to be done.

On March 1, 2011, Iceland acceded to the UN Convention against Corruption.

India

India is a regional financial center, with a rapidly growing economy and well-developed formal and informal financial systems. India's extensive informal economy and remittance systems, porous borders, persistent corruption, and onerous tax administration and currency controls contribute to its vulnerability to economic crimes (including fraud, cyber crime, and identity theft), money laundering, and terrorist financing. Tax avoidance and the proceeds of economic crimes are the mainstays of money launderers in India, but laundered funds are also derived from narcotics trafficking and trafficking in persons, transnational organized crime, illegal trade, and corruption. Transnational criminal organizations use offshore corporations and trade-based money laundering to conceal the proceeds of crime. Criminal networks exchange high-quality counterfeit currency for genuine notes, which facilitates money laundering.

India's porous borders and location between heroin-producing countries in the Golden Triangle and Golden Crescent make it a frequent transit point for drug trafficking. Proceeds from Indian-based heroin traffickers re-enter the country via bank accounts, the hawala system, and money transfer companies.

India is also a significant target for both domestic and foreign terrorist groups. Several indigenous terrorist organizations coexist in various parts of the country; many are linked to external terrorist groups with global ambitions. Terrorist groups often use hawaladars and currency smuggling to move funds from external sources to finance their activities in India. Indian authorities also report they have seized drugs sold by India-based insurgents to production and/or trafficking groups in neighboring countries.

High-level corruption both generates and conceals criminal proceeds. Illicit funds are often laundered through real estate, educational programs, charities, and election campaigns. Companies use trade-based money laundering to evade capital controls.

India licenses seven offshore banking units (OBUs) to operate in Special Economic Zones (SEZs), which were established to promote export-oriented commercial businesses, including manufacturing, trading, and services (mostly information technology). As of November 2011, there were 143 SEZs in operation, with another 582 SEZs formally approved. Customs officers control access to the SEZs. OBUs essentially function as foreign branches of Indian banks, but with defined physical boundaries and functional limits. OBUs are prohibited from engaging in cash transactions, can only lend to the SEZ wholesale commercial sector, and are subject to the same anti-money laundering/counter-terrorist financing (AML/CFT) provisions as the domestic sector.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC 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

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 20,698 from April 2010 to March 2011

Number of CTRs received and time frame: 8,687,107 from April 2010 to March 2011

STR 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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 36 from April 2006 to March 2011

Convictions: Zero

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

India is a member of the Financial Action Task Force (FATF), as well as 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 can be found here: www.fatf-gafi.org/dataoecd/60/56/45746143.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

India is strongly committed to implementing an effective AML/CFT framework and has taken numerous steps to improve its AML/CFT regime and bring it into compliance with international standards. In 2011, the Government of India (GOI) drafted amendments to the Prevention of Money Laundering Act (PMLA) and the Unlawful Activities (Prevention) Act that would expand the scope of India's AML/CFT regime to cover several designated non-financial businesses and professions, including jewelers and real estate firms. The draft amendments also would address deficiencies with respect to the criminalization of money laundering and terrorist financing and to confiscation and provisional measures, including by making money laundering a stand-alone offense and allowing authorities to attach property even if the predicate offense is not proven.

In 2011, the financial services regulators issued an extensive range of enforceable circulars improving customer due diligence requirements, including with respect to customers and transactions involving countries with "strategic AML/CTF deficiencies." In addition, the FIU enhanced outreach to the financial sector on suspicious transaction reporting, revised the cash and suspicious transaction reporting format for

non-banking financial companies, and streamlined an electronic reporting format for CTRs and STRs, resulting in a significant increase in the number of STRs filed with respect to both money laundering and terrorist financing.

Despite these important steps, deficiencies remain. Since Parliament has not yet approved the draft PMLA amendments, India lacks both effective criminal asset forfeiture provisions and conspiracy laws. Moreover, effective implementation of the current law remains a significant concern. Despite increased law enforcement resources, as of April 2011, there were still no money laundering convictions or confiscations. Law enforcement typically opens substantive criminal investigations reactively, after an offense is discovered, and seldom initiates proactive analysis and long-term investigations. At the prosecutorial level, there is an appropriate focus on terrorist financing; however, this effort has yet to be followed up convincingly by convictions and firm case law. Furthermore, while the GOI has taken action against certain hawala activities, these successes generally stem from prosecuting primarily non-financial businesses that conduct hawala transactions on the side.

Levels of training and expertise in financial investigations involving transnational crime or terrorist-affiliated groups vary widely among the federal, state, and local levels and depend on the particular jurisdiction's financial capabilities and perceived necessities. U.S. investigators have had limited success in coordinating the seizure of illicit proceeds with their GOI counterparts. While intelligence and investigative information supplied by U.S. investigators have led to numerous money seizures, a lack of follow-through on investigational leads has prevented a more comprehensive offensive against offenders and related groups.

The GOI is taking steps to increase financial inclusion through "small [banking] accounts", but should consider further facilitating the development and expansion of alternative money transfer services, including mobile banking, domestic funds transfer, and foreign remittances. Such an increase in lawful, accessible services would allow broader financial inclusion of legitimate individuals and entities and reduce overall AML/CFT vulnerabilities, particularly in the rural sector, by shrinking the informal network. The GOI also should establish a clear safe harbor provision for those filing STRs in good faith.

In May 2011, India ratified both the United Nations Convention against Corruption and the United Nations Convention against Transnational Organized Crime.

Indonesia

While Indonesia is neither a regional financial center nor an offshore financial haven, the country remains vulnerable to money laundering and terrorist financing due to its weak anti-money laundering/counter-terrorist financing (AML/CFT) regime, cash-based economy, weak rule-of-law and ineffective law enforcement institutions, and the presence of major indigenous terrorist groups, such as Jemaah Islamiyah (JI), a loose network of JI spin-off groups, and Jemaah Anshorut Tauhid, which obtain financial support from both domestic and foreign sources. 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 of illicit goods and bulk cash, facilitated by thousands of miles of unpatrolled coastline, sporadic law enforcement, and poor customs infrastructure. Proceeds from illicit activities are easily moved offshore and repatriated as needed for commercial and personal use. While Indonesia has made some progress in combating official corruption via a strong yet embattled Corruption Eradication Commission, endemic corruption remains a significant concern and poses a challenge for AML/CFT regime implementation.

In an October 2011 report, the Financial Action Task Force (FATF) noted that Indonesia continues to have certain strategic AML/CFT deficiencies, including a lack of progress on the implementation of its action plan. Of particular concern is Indonesia's failure to pass terrorist financing and asset forfeiture legislation.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 16,054 from January through October 2011
Number of CTRs received and time frame: 1,412,769 from January through October 2011
STR 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 payment card services, providers of e-money or e-wallet services, cooperatives doing business as savings and loan institutions, pawnshops, commodity futures traders, money remitters, property companies and agents, car dealers, dealers of precious stones and jewelry/precious metals, art and antique dealers, and auction houses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Four from January through October 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: 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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In October 2010, the Government of Indonesia (GOI) enacted a new AML law that partially complies with international standards. Among other improvements, the law expands the list of agencies permitted

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to conduct money laundering investigations, gives the independent financial intelligence unit (FIU), PPATK, more authority to examine suspicious financial transactions, and increases some criminal penalties for money laundering offenses. Personnel in both the executive and judicial branches should receive more training to effectively implement and enforce the expanded provisions of the AML law.

Indonesia's PPATK is a dynamic and effective FIU that works closely with the Central Bank to oversee and implement Indonesia's anti-money laundering regime. PPATK is well-funded and has an experienced and effective leadership team in place. The October 2010 AML legislation, however, has taxed the institution's capacity and PPATK will need a significant increase in staff to meet its responsibilities under the law. In an effort to place some of the legal burden on industry and bank partners, PPATK will open three anti-money laundering centers in different regions of Indonesia to serve as resource centers for organizations that must comply with the new regulations.

Despite a stated high-level commitment to the action plan developed to address some of the persistent gaps in its AML/CFT legislation, the GOI has not met its projected timeframes. Essential draft CFT legislation will not be submitted to parliament until at least early 2012, more than a year later than originally expected. Passage may be further delayed by disagreements over various provisions, including those addressing forfeiture of unexplained wealth and new reporting requirements for religious institutions.

Indonesia continues to lack an effective mechanism to implement UNSCRs 1267 and 1373. The October 2010 AML legislation only provides for the temporary suspension of terrorist assets linked to the UN list of designated terrorists and terrorist organizations and does not allow for an immediate and ongoing freeze. Corruption, particularly within the police ranks, impedes effective investigations and prosecutions. Prosecutors and judges should be given additional training on tracing and documenting financial flows and presenting this evidence convincingly in court.

Iran

Although not considered a financial hub, Iran has a large underground economy, spurred by restrictive taxation, widespread smuggling, currency exchange controls, capital flight, and a large Iranian expatriate community. Iran is a major transit route for opiates smuggled from Afghanistan through Pakistan to the Persian Gulf, Turkey, Russia, and Europe. At least 40% of opiates leaving Afghanistan enters or transits Iran for domestic consumption or for consumers in Russia and Europe. 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 money and value transfer systems, including hawala and moneylenders. Counter-valuation in hawala transactions is often accomplished via trade, thus trade-based transactions are likely a prevalent form of money laundering. Many hawaladars and traditional bazaari 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 used to launder money. There also are reports that billions of dollars in Iranian capital have been invested in the United Arab Emirates, particularly in Dubai real estate.

On November 21, 2011, Iran was identified by the U.S. Government as a state of primary money laundering concern pursuant to section 311 of the USA PATRIOT Act. Widespread corruption and economic sanctions, as well as evasion of those sanctions, have undermined the potential for private sector growth and facilitated money laundering. The Financial Action Task Force (FATF) has repeatedly warned of Iran's failure to address the risks of terrorist financing. The FATF urges jurisdictions around the world to impose countermeasures to protect their financial sectors from illicit finance emanating from Iran. In October 2011, the FATF urged all members and jurisdictions to advise their financial institutions

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to give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions.

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.

Although 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, Iranian banks have a diminishing international presence in these regions as a growing number of governments move to sanction Iranian financial institutions in response to UN, U.S., and autonomous sanctions regimes as well as the FATF statements on Iran's lack of adequate anti-money laundering/counter-terrorist financing (AML/CFT) controls. Iran is known to use its state-owned banks to channel funds to terrorist organizations and finance its nuclear and ballistic missile programs. The United States has designated at least 20 banks and subsidiaries under 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.: Not available

CRIMINALIZATION OF MONEY LAUNDERING:

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

Legal persons covered: *criminally:* YES *civily:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: 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

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: 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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other:* NO

With other governments/jurisdictions: Not available

Iran is not a member of any Financial Action Task Force (FATF)-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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 Treasury and State have designated over 300 Iranian entities and individuals for proliferation-related activity under Executive Order 13382. Additionally, the United Nations Security Council (UNSC) has passed numerous resolutions that impose sanctions on Iran. The most recent of these, UNSCR 1929, was adopted in June 2010.

UNSCR 1929 recognizes the potential connection between Iran's revenues derived from its energy sector and the funding of its proliferation of sensitive nuclear activities. In 2010, in recognition of that connection, the United States adopted the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA), which makes sanctionable certain activities in Iran's energy sector, including the provision of refined petroleum products to Iran.

On December 31, 2011, the National Defense Authorization Act for Fiscal Year 2012 was signed into law. Under Section 1245 of the Act, foreign financial institutions that knowingly facilitate significant financial transactions with the Central Bank of Iran or with Iranian financial institutions designated by Treasury risk being cut off from direct access to the U.S. financial system. This legislation builds upon the sanctions from previous U.S. legislation and UNSC resolutions.

The following are some examples of notable designations under Executive Orders: 20 Iranian-linked banks (including Bank Refah in 2011), 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; and, 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 PIJ, has been designated along with Lebanon- and U.S.-based affiliates.

In October 2007, the FATF issued its first public statement expressing concern over Iran's lack of a comprehensive AML/CFT framework. 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. In October 2011, the FATF reiterated its call for countermeasures. The FATF urges Iran to immediately and meaningfully address its 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 threats. For example, in 2010, the EU adopted significant new measures against Iran, including new sanctions on several Iranian banks and the IRGC; 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.

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Numerous countries around the world also have 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.

Iran is ranked 120 out of 183 countries listed in Transparency International's 2011 Corruption Perception Index. There is pervasive corruption within the ruling and religious elite, government ministries, and government-controlled business enterprises.

In 2010, the Government of Iran teamed with United Nations Office on Drugs and Crime to establish a financial intelligence unit (FIU). The Iranian FIU reportedly will focus on suspicious financial transactions linked to illicit narcotics proceeds. No entity has been able to assess whether Iran's 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, often involving consumer goods, cigarettes, and petroleum products. Bulk cash smuggling, counterfeit currency, trafficking in persons, and intellectual property rights violations are major problems. Ransoms from kidnappings and extortion are often used to finance terrorist networks. Credible reports of counterfeiting abound. Trade-based money laundering, customs fraud, and various means of value transfer are found in the underground economy. Hawala networks, both licensed and unlicensed, are widely used for legitimate and illicit purposes. 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. U.S. dollars are widely accepted and are used for many payments made by the U.S. government, as well as foreign assistance agencies and their contractors.

Iraq has four free trade zones (FTZs): the Basra/Khor al-Zubair seaport; Ninewa/Falafel area; Sulaymaniyah; and al-Qaim, located in western Al Anbar province. Under the Free Trade Zone Authority Law, goods imported or exported from the FTZs 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 FTZs 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.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rfs/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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KYC covered entities: Banks; investment fund 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

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 43 in 2011

Number of CTRs received and time frame: 1,320 in 2011

STR covered entities: Banks; investment fund 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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Iraq is a member of MENAFATF, a Financial Action Task Force (FATF)-style regional body. Iraq's first mutual evaluation is scheduled for late 2012.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although the only anti-money laundering statute in Iraq, CPA Law 93, AML Act of 2004, is broad enough to reach even beyond serious crime, the criminalization under CPA Law 93 is only that of a misdemeanor. Iraq does not prosecute cases under this law because the law does not effectively criminalize money laundering.

Iraq's legal framework needs to be strengthened, either by amendment or by drafting of new AML/CFT legislation. Iraqi ministries need to support a viable AML/CFT regime with cooperation across ministries. Investigators, prosecutors, and judges all need support from their leadership to move more aggressively in pursuing AML/CFT cases. Prosecutors and investigators are frustrated when judges do not pursue their cases; 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 addition, the lack of implementing legislation, weak compliance enforcement by the Central Bank of Iraq (CBI), and the lack of support to the Money Laundering Reporting Office (MLRO), Iraq's financial intelligence unit, undermine Iraq's ability to counter terrorist financing and money laundering.

The CBI generally does not support the MLRO. The MLRO has adequate staffing but lacks training, computer equipment, and software to receive, store, retrieve, and analyze data from the reporting institutions. Without a database, the MLRO staff must process the data received manually. The MLRO is empowered to exchange information with other Iraqi and foreign government agencies. Historically the MLRO received little support from Iraqi law enforcement, but that changed in 2011 because the MLRO has added value to many of their investigations. The Government of Iraq should ensure the MLRO has the capacity, resources, and authorities to serve as the central point for collection, analysis, and

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dissemination of financial intelligence to law enforcement and to serve as a platform for international cooperation.

Regulation and supervision of the formal and informal financial sectors are still quite limited and enforcement is subject to political constraints, resulting in weak private sector controls. 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 45 state-owned and private banks. Also, rather than file STRs in accordance with the law, most banks either conduct internal investigations or contact the MLRO, which executes an account review to resolve any questionable transactions. In practice, very few STRs are filed.

Iraq should become a party to the UN Convention for the Suppression of the Financing of Terrorism.

Ireland

Ireland is a significant European financial hub, with offices of a number of international banks established in Dublin. The primary sources of funds laundered in Ireland are prostitution, cigarette smuggling, drug trafficking, fuel laundering, domestic tax violations and welfare fraud. While money laundering occurs via credit institutions such as banks, money has also been laundered through schemes involving remittance companies, solicitors, accountants, and second-hand car dealerships. According to law enforcement officials, money is most commonly laundered through the purchase of high value goods for cash; the transfer of funds from overseas through Irish credit institutions; the filtering of funds via complex company structures; and the purchase in Ireland of Irish and foreign real property.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks, building societies, the post office, stock brokers, credit unions, *bureaux de change*, life insurance companies, and insurance brokers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 13,416 in 2010
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, building societies, the post office, stock brokers, credit unions, *bureaux de change*, life insurance companies, and insurance brokers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 11 in 2010
Convictions: Four in 2010

RECORDS EXCHANGE MECHANISM:

With the United States: MLAT: NO *Other mechanism:* YES
With other governments/jurisdictions: YES

Ireland 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/63/29/36336845.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Irish authorities estimate that up to 80% of STRs involve funds derived from domestic tax violations and social welfare fraud.

In 2011, the largest known asset seizures, valued at approximately €500,000 (approximately \$660,000), were seized in police raids on a suspected money laundering operation in Ireland. The case is believed to be related to money laundering by a European-based narcotics trafficking organization.

Customs authorities continue to intercept bulk cash from narcotics trafficking being smuggled out of Ireland. The largest interception was in 2010 when a suitcase belonging to an Irish drug trafficker containing 676,000 euros (approximately \$895,000) in used bank notes was seized at Dublin International Airport.

On November 9, 2011, Ireland became a party to the UN Convention against Corruption.

The Government of Ireland should establish mechanisms for sharing information with other jurisdictions, outside of the Egmont procedures, and providing assistance in transnational criminal investigations.

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, and 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: All serious crimes
Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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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

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 1,435 in 2010

Number of CTRs received and time frame: Not applicable

STR covered entities: All businesses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 15 in 2010

Convictions: 13 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* 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. Law enforcement continues to focus on human trafficking and public corruption.

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Israel's illicit drug trade is regionally focused, with Israel as more of a transit country than a stand-alone significant market. The authorities continue to be concerned with illegal pharmaceutical sales, retail businesses which are suspected money-laundering enterprises, and corruption accusations against public officials. Bilateral cooperation between United States and Israeli law enforcement authorities is significant, including joint repatriations, training exercises and sharing of information where relevant.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** NO
KYC covered entities: Banking corporations, credit card companies, trust companies, stock exchange members, portfolio managers, and the Postal Bank

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 27,922 (January 1 - October 12, 2011)
Number of CTRs received and time frame: 922,583 (January 1 - October 12, 2011)
STR covered entities: Banking corporations, credit card companies, trust companies, 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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 52 from January - August 2011
Convictions: 12 from January - August 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Israel has observer status with 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 can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Israel_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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 Israel. Israeli citizenship for those "making aliyah" does not require strong ties to Israel such 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) Anti Drug and Money Laundering Unit. U.S. customs authorities and the ITA routinely coordinate to target illicit finance and bulk cash smuggling between the two countries. In 2011, the Israel Money Laundering and Terror Financing Prohibition Authority signed an MOU with the U.S.'s Financial Crimes Enforcement Network to further cooperation on money laundering and terrorist financing issues. 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 were extradited to the United States in 2011 where they now face a host of charges including money laundering and drug trafficking.

Italy

The proceeds of domestic organized crime groups (especially the Mafia, Camorra, and 'Ndrangheta) operating across numerous economic sectors in Italy and abroad compose the main source of laundered funds. A report from the Italian confederation of trade, tourism, and service-company operators declared domestic organized crime as Italy's largest enterprise. Other major sources of laundered money are proceeds from tax crimes, smuggling and sale of counterfeit goods, extortion, and usury. Based on limited evidence, the major sources of money for financing terrorism seem to be petty crime, document counterfeiting, and smuggling and sale of various legal and contraband goods. Italy's total black market is estimated to generate as much as 15% of GDP (\$310 billion). A sizeable portion of this black market is for smuggled goods. The proceeds of these sales are often laundered, and some may be used to finance terrorism. However, the largest portion of this black market is for tax evasion by otherwise legitimate commerce. Money laundering and terrorist financing in Italy occurs in both the formal and the informal financial system, as well as offshore.

Italy continues to combat the sources of money laundering and terrorist financing. For example, in his first speech to Parliament, new Prime Minister Monti announced that fighting tax evasion, which he said deprives Italy of one-fifth of its GDP, and fighting organized crime will be high priorities for the new government.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, Italian post office, electronic money transfer institutions, payment institutions, agents, investment firms, asset management companies, insurance companies, agencies providing tax collection services, stock brokers, financial intermediaries, trust companies, lawyers, accountants, auditors, and casinos

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 23,816 for January through June 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, Italian post office, electronic money transfer institutions, investment firms, asset management companies, insurance companies, agencies providing tax collection services, stock brokers, financial intermediaries, trust companies, lawyers, accountants, commercial assessors, notaries, auditors, real estate agents, casinos, and high-value goods dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 21 in 2011

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** 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/infobycountry/0,3380,en_32250379_32236963_1_70522_43383847_1_1,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2011, Italy made the following key legal, regulatory, and policy changes related to money laundering and terrorist financing: Parliament passed a law reducing from 5,000 euros to 2,500 euros the threshold above which cash transactions, cash bank deposits, and cash payments for bearer bonds are illegal; the Ministry of Interior issued a regulation establishing anomaly indicators for financial transactions, to facilitate the reporting of suspicious transactions by several categories of non-financial businesses and professions; the Bank of Italy, the Italian central bank, strengthened the required procedures and internal controls for financial intermediaries, to prevent their involvement in money laundering and terrorist financing. The Bank of Italy also raised the standards for data required in STRs, to increase the likelihood of detecting money laundering and terrorist financing transactions.

Although several of the above actions were intended to increase the number of STRs filed by non-financial businesses and professions, since these entities now file less than 1% of the STRs, Italy must continue to implement measures that will significantly increase the quality of STRs from all these entities and the number of STRs from selected categories of these entities. Italy also must continue to implement measures to increase the quality and timeliness of the data reported by all types of entities. In 2010, 37,047 STRs were filed for money laundering and 274 for terrorist financing.

Although Italy requires that large transactions be reported, these transactions are reported only in the aggregate.

As in previous years, in 2011 the Guardia di Finanza cooperated on a number of occasions with various U.S. authorities in investigations of money laundering, bankruptcy crimes, and terrorist financing (the Guardia di Finanza is the primary Italian law enforcement agency responsible for combating financial crime and smuggling, and is Italy's primary agency for interdicting drugs, along with the Carabinieri and the Italian National Police). The Direzione Centrale per i Servizi Antidroga, a task force comprised of the Guardia di Finanza, Carabinieri, and the Italian National Police, also plays a central role in these efforts.

Jamaica

Money laundering in Jamaica is primarily related to proceeds from illegal narcotics and to a lesser extent psychotropic substances and scams. This illicit activity is largely controlled by organized criminal groups whose primary motive is drug trafficking. Jamaica has experienced an increase in financial crimes, emanating from Lotto scams and cybercrimes.

There is a black market for smuggled goods in Jamaica, but there is no data or intelligence to suggest that smuggling is funded by proceeds from narcotics or other illicit means. However, evidence suggests that funds generated from contraband smuggling are laundered through the financial system.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, credit unions, merchant banks, wire-transfer companies, exchange bureaus, remittance companies, mortgage companies, insurance companies, securities brokers and other intermediaries, securities dealers, and investment advisors

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 320,146 in 2011
Number of CTRs received and time frame: 116,550 in 2011
STR covered entities: Banks, credit unions, merchant banks, exchange bureaus, remittance companies, mortgage companies, insurance companies, securities brokers and other intermediaries, securities dealers, and investment advisors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 11 in 2011
Convictions: Two in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Jamaica 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/mutual-evaluation-reports.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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The Terrorism Prevention Act was amended in 2011 to further clarify the requirement for suspicious transaction reporting in cases of suspected terrorism financing. The amendments also clarify the basis upon which the Director of Public Prosecutions can apply to the courts to have persons listed as terrorists or terrorist entities, facilitating the freezing of related assets.

During 2011, the Government of Jamaica (GOJ) passed into law the Protected Disclosures Act, which includes whistleblower protection in cases of perceived corruption. The Bank of Jamaica conducted public outreach focused on accountants and attorneys, to sensitize those professions about their obligations under Jamaica's anti-money laundering laws.

The GOJ and its bilateral partners also provide specialized training for regional law enforcement officers in areas such as narcotics investigations, intelligence gathering and analysis, kidnapping and extortion, money laundering, financial fraud and asset tracing. This training is conducted by the Caribbean Regional Drug Law Enforcement Training Centre, located in Jamaica.

In the court system, effectiveness is hindered by lengthy delays in the processing of judicial orders. There is a need to amend Jamaica's Evidence Act to allow witnesses overseas to give evidence by way of video conferencing. This would assist in the investigation and prosecution of financial crimes, particularly cases where the victims are overseas. Consideration should also be given to the establishment of a special court to deal with financial crimes, in order to fast track those cases.

The Financial Investigations Division (FID) has applied for membership in the Egmont Group of Financial Intelligence Units. The process has been challenging for the FID since it did not meet the Egmont Group's standards during its most recent attempt. The GOJ should ensure it responds to the requirements of the Egmont Group in order to allow the FID to join.

Japan

Japan is a regional 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. It is not an offshore financial center.

Japan continues to face 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.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC 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

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 337,341 in 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Financial institutions, real estate agents and professionals, precious metals and stones dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 191 in 2010

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Japan 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/document/61/0,3746,en_32250379_32236963_41684733_1_1_1_1,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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’s compliance with international standards specific to financial institutions is notably deficient. In April 2011, Japan amended its basic AML law, the Criminal Proceeds Act, to improve customer due diligence (CDD) requirements, including by requiring financial institutions to identify the customer’s name, address, and date of birth, and to verify the purpose of transaction, business activities and beneficial owners. However, while the government is in the process of formulating the subordinate decrees, these requirements do not come into effect until April 28, 2013.

The Government of Japan (GOJ) has not implemented a risk-based approach to AML/CFT, and there is currently no mandate for enhanced due diligence for higher-risk customers, business relationships, and transactions. While the April 2011 amendments to the Criminal Proceeds Act call for financial institutions to verify a customer’s assets and income in certain higher risk situations, they delineate those situations as those where it is suspected that false identity is being used, rather than by increased risks presented by such factors as business type, customer location, or type of transaction. The current regulations also 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.

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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 limited cooperation with other GOJ agencies, and most foreign governments, on nearly all criminal, terrorism, or counter-intelligence-related matters. 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 frozen terrorist assets in only a few cases. 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. As Japan is a major trading power, the GOJ should take steps to identify and combat trade-based money laundering.

Japan should 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 regulate its own financial service sector and to negotiate and sign tax information exchange agreements directly with other jurisdictions. 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 with nonresidents, adherence to know-your-customer rules is an area of focus for efforts to limit illicit money from foreign criminal activity. Jersey also requires that beneficial ownership information be obtained and held by its company registrar. Island authorities undertake efforts to protect the financial services industry against the laundering of the proceeds of foreign political corruption deriving from 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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 1,854 in 2009

Number of CTRs received and time frame: Not applicable

STR 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 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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: One prosecuted to judgment in 2010

Convictions: One in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** 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:

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 Jersey Financial Services Commission (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.

Although not yet used in practice, Jersey has an ability to designate persons and freeze their assets in conformity with UNSCR 1373; however, no formal procedure is in place to receive and assess requirements based on a foreign request. 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 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 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

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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 in September 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 JFSC should ensure its AML Unit has enough resources to continue to function effectively, and to provide outreach and guidance to the sectors it regulates.

Jersey authorities should explicitly require that a relevant obliged entity obtain all necessary customer due diligence (CDD) information from the intermediary or introducer immediately at the beginning of a relationship and should consider requiring relevant persons to perform spot-testing of an intermediary or introducer's performance of CDD obligations.

Jordan

Although Jordan is not a regional or offshore financial center, it has a well-developed financial sector with significant banking relationships in the Middle East. Jordan's long and remote desert borders and proximity to Iraq, Syria, Saudi Arabia, and Israel and the West Bank make it susceptible to the smuggling of bulk cash, fuel, narcotics, cigarettes, counterfeit goods, and other contraband. Jordan boasts a thriving "import-export" community of brokers, traders, and entrepreneurs who are involved with regional value transfer via trade and customs fraud. There are anecdotal indications of the use of Jordan for money laundering of illicit funds derived from narcotics and other criminal activity in the U.S., and possibly Europe, via bulk cash smuggling for criminal elements involving the Jordanian diaspora. However, it is thought the major sources of illicit funds in Jordan are most likely to be related to commercial fraud, customs fraud, tax fraud, and intellectual property rights (IPR) violations. Anecdotal reports also indicate that Jordan's real estate sector has often been used to launder illicit funds.

There are six public free trade zones (FTZs) in Jordan: the Zarqa Free Zone, the Sahab Free Zone, the Queen Alia International Airport Free Zone, the Al-Karak Free Zone, the Al-Karama Free Zone, and the Aqaba Special Economic Zone (ASEZ). With the exception of Aqaba, these FTZs list their activities merely as trade. There are many designated private FTZs, a number of which are related to the aviation or chemical and mining industries. FTZ activities vary from industrial, agricultural, pharmaceutical, or vocational to multi-purpose. With the exception of ASEZ, all free trade zones are regulated by the Jordan Free Zones Corporation Law and are monitored by the Ministry of Finance. The Aqaba Special Economic Zone Authority (ASEZA), a ministerial level authority, controls the port city of Aqaba. Until late 2011 when Jordan Customs assumed authority, the ASEZA had its own customs authority, which operated separately from Jordan Customs, and processed all merchandise and commodities destined for businesses in the zone and all passengers entering the zone.

For additional information focusing on terrorist financing, please refer also to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, exchange companies and money transfer companies; securities brokers and investment and asset managers; credit and financial leasing companies; insurance companies, brokers and intermediaries; financial management companies, postal services, real estate and development entities, and traders of precious metals and stones

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 204 from January 1 to November 1, 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, currency exchanges and money transfer companies; securities brokers and investment and asset managers; credit and financial leasing companies; insurance companies, brokers and intermediaries; entities providing credit, leasing services, financial management, postal services, real estate and development; and traders of precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two from 2010 through November 2011

Convictions: Two from 2010 through November 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO

With other governments/jurisdictions: YES

Jordan is a member of the Middle East and North Africa Financial Action Task Force, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.menafatf.org/images/UploadFiles/MER_Hashemite_Kingdom_of_Jordan.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Operational developments in 2011 impacting Jordan’s AML/CFT regime include further increases in the number of FIU staff and additional preparations to move to an independent office space within the Central Bank of Jordan. Jordan is currently seeking membership in the Egmont Group of Financial Intelligence Units.

In September 2011, Jordan’s Anti Money Laundering Unit referred to prosecution a case with an order to freeze over \$100 million in assets. The referral, Jordan’s largest to date, is significant both in the size of the case and because the predicate offenses were committed in Jordan. All previous money laundering prosecutions in Jordan relied on predicate offenses committed outside of Jordan.

Kazakhstan

Kazakhstan is not a regional financial center, but has the most developed financial system in the Central Asia region. Governmental corruption, an organized crime presence and a large shadow economy make the country vulnerable to money laundering and terrorist finance. The major sources of laundered proceeds stem from corruption, tax evasion and fraudulent financial activity, particularly transactions

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involving the use of shell companies. Smuggling of contraband goods and under-invoicing of imports and exports by Kazakhstani businessmen also remain relatively common practices.

The presence of hawalas and money or value transfer services poses risks in regard to money laundering. While there is little publicly available information on the scale, there are indications that these entities are used for trade-based money laundering and to move narcotics trafficking proceeds.

Casinos are legal in two geographic areas – Shuchinsk and Kapchagai, while online gambling is prohibited. Kazakhstan has several free trade zones (FTZ), including an FTZ agreement with CIS countries that will come into force in 2012. Both of these may pose money laundering risks.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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 *civily:* NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO
KYC covered entities: Banks and organizations that conduct banking transactions; stock exchanges and securities dealers/brokers; insurance (re-insurance) companies and insurance brokers; pension funds; central depositories; exchange offices and post operators; lawyers and independent legal experts; auditors, and organizers of gambling businesses

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 30,399 - January 1-November 30, 2011
Number of CTRs received and time frame: 575,739 - January 1-November 30, 2011
STR covered entities: Banks, insurance companies and brokers, pension funds, exchange offices, auditors, notaries and lawyers, gaming centers, securities brokers/dealers, post operators and funds remitters

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 70 - January - October 2011
Convictions: Eight - January - October, 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES
With other governments/jurisdictions: YES

Kazakhstan is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.eurasiangroup.org/ru/restricted/MER_2011_1_KAZ_rev.1_eng.doc

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Kazakhstan should expand the reporting requirements under its AML law to pawn shops, micro-credit organizations, leasing organizations, entities dealing with jewelry and precious metals, financial management firms, travel agencies and dealers of arts, antiques, and other high-value consumer goods. These entities are not required to maintain customer information or report suspicious activity.

Currently all reporting entities subject to the AML/CFT law are inspected by their respective regulatory agencies, rather than by the FIU. Most of those agencies, however, lack the resources and expertise to inspect reporting entities for AML/CFT compliance. The Government of Kazakhstan (GOK) should allocate more resources to ensure the proper enforcement of its AML regulations. It also needs to educate local institutions and personnel on further implementation of the AML/CFT law. The GOK should extend the tipping off prohibition to directors, officers and employees of financial institutions.

Strict segregation of duties among law enforcement agencies hampers the government's ability to detect, investigate and prosecute money laundering crimes related to serious criminal offenses, including drug trafficking and trafficking in persons. The Financial Police is the only agency responsible for the investigation of money laundering crimes. The Ministry of Interior investigates a wide range of predicate offenses, but does not typically examine the financial aspects of crimes. Kazakhstani law enforcement agencies should develop a more integrated and coordinated approach to the investigation of money laundering related to serious criminal offenses, perhaps through interagency investigative groups.

The Criminal Code provides for the mandatory seizure, in part or in whole, of property of any person convicted for miscellaneous predicate offenses, as defined. In an effort to evade such forfeiture, criminals often register their assets in the names of straw owners or relatives. Since the burden of proof lies with law enforcement and can be difficult to meet, law enforcement agencies frequently do not attempt to determine the origin of assets during the initial stage of an investigation.

The legislation does not address the seizure of property of corresponding value or indirect benefits from the proceeds of a crime. Police seized almost \$11.9 million during the first ten months of 2011 for money laundering crimes with defined losses of \$15.2 million. Kazakhstan has no legal framework to allow the government to freeze terrorist assets in a timely manner; all asset freeze orders must have prior court approval. Kazakhstan also lacks a mechanism to share with other countries assets seized through joint or trans-boundary operations.

Kenya

Kenya is the largest financial center in East Africa, and its banking and financial sectors are growing in sophistication. As a regional financial and trade center for Eastern, Central, and the Horn of Africa, Kenya's economy has large formal and informal sectors; and it remains vulnerable to money laundering and other financial fraud. Reportedly, Kenya's financial system may be laundering over \$100 million each year, although lack of regulation and limited records make quantifying the value difficult.

Money laundering/terrorist financing activity derives from both domestic and foreign criminal activity. Kenya is a transit point for international drug traffickers. The laundering of funds derived from corruption, smuggling, and other financial crimes is a substantial problem. Its proximity to Somalia makes Kenya an attractive and likely destination for the laundering of piracy-related proceeds and a conduit for terrorism-related funds. There is a black market for smuggled goods in Kenya, which serves as a major transit country for Uganda, Tanzania, Rwanda, Burundi, eastern Democratic Republic of Congo, Somalia, and South Sudan. Goods marked for transit to these northern corridor countries avoid Kenyan customs duties, but authorities acknowledge they are often sold in Kenya. Many entities in

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Kenya are involved in exporting and importing goods, including nonprofit entities. Trade-based money laundering is a problem in Kenya, and traded commodities are often used to provide counter-valuation in regional hawala networks.

In addition to banks, wire services, and other formal channels that act as depository institutions and execute funds transfers, Kenya also houses money/value transfer systems (MVTS) catering to those who conduct cash-based business. Kenyan Somalis and Somali expatriates, in particular the large Somali refugee population, primarily use hawalas to send and receive remittances internationally. Mobile money, using telecom networks for cash and value transfers, called M-Pesa, is an increasingly large component of the Kenyan financial sector.

There are questions concerning Kenya's political will to address money laundering and terrorist financing. In June and October 2011, Kenya was included in the Financial Action Task Force (FATF) Public Statement for its lack of progress on adopting/implementing its action plan to improve its AML/CFT regime despite over a year of targeted engagement by the FATF.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks and institutions accepting repayable funds from the public; lending institutions, factors, and commercial financiers; financial leasing firms; transferors of funds or value, by any means, including both formal and informal channels; issuers and managers of credit and debit cards, checks, traveler's checks, money orders and banker's drafts, and electronic money; financial guarantors; traders of money market instruments, including derivatives, foreign exchange, currency exchange, interest rate and index funds, transferable securities, and commodity futures; participation in securities issues and the provision of financial services related to such issues; portfolio managers; safekeeping, management, and administration of cash or liquid securities; underwriting and placement of life insurance and other investment related insurance; casinos; real estate agencies; accountants; and dealers in precious metals and stones

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 37 – January through October 2011

Number of CTRs received and time frame: None

STR covered entities: Banks and institutions accepting repayable funds from the public; lending institutions, factors, and commercial financiers; financial leasing firms; transferors of funds or value, by any means, including both formal and informal channels; issuers and managers of credit and debit cards, checks, traveler's checks, money orders and banker's drafts, and electronic money; financial guarantors; traders of money market instruments, including derivatives, foreign exchange, currency exchange, interest rate and index funds, transferable securities, and commodity futures; participation in securities issues and the provision of financial services related to such issues; portfolio managers;

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safekeeping, management, and administration of cash or liquid securities; underwriting and placement of life insurance and other investment related insurance; casinos; real estate agencies; accountants; and dealers in precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** 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 (FATF)-style regional body. Kenya's most recent mutual evaluation report can be found here: www.esaamlg.org

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Proceeds of Crime and Anti-Money Laundering Act (POCAML), which came into force in June 2010, provides a legal framework for regulation and enforcement as well as a framework for compliance among most of Kenya's financial and some of its non-financial sectors; however, the law has not been implemented, and authorities such as the Financial Reporting Center (FRC), Kenya's FIU, have yet to be established. Due to Kenya's lack of implementation, POCAML has never been used to prosecute any crimes, nor have any charges been filed under the POCAML, so the law remains untested.

The future FRC will issue official implementing regulations. In the interim, the Central Bank of Kenya (CBK) has issued guidance notes to commercial banks, non-bank financial institutions, and mortgage finance companies about their responsibilities under POCAML. In July 2011, guidance was issued on suspicious transaction reporting. In September 2011, the CBK issued guidance on combating terrorist financing, but as neither terrorism nor terrorist financing is criminalized, this guidance is not binding. In 2011, the CBK closed several foreign exchange bureaus for failing to comply with new, more stringent standards.

The POCAML does not adequately address KYC measures related to PEPs. With Kenya's new constitution, PEPs are now subject, for the first time, to financial disclosure requirements and enhanced vetting procedures. Kenya does not actively collect CTRs, though banks provide this data if asked.

The Government of Kenya cannot track transactions by MVTS entities. The lack of regulation/supervision of this sector, coupled with a lack of reporting from the obliged entities, contribute to the vulnerability posed by this sector. Tracking, reporting, and investigating suspicious transactions related to the MVTS are more difficult for the Kenyan authorities than those using the formal financial sector.

Kenyan law enforcement authorities lack the institutional capacity, investigative skill, and resources to conduct complex financial investigations, and a number of bureaucratic impediments present challenges. 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. The confidentiality of this process is difficult to maintain, and because of leaks, account holders are tipped off about the investigations and then move their accounts or contest the warrants. However, the Kenya Revenue Authority has made recent strides in increasing its internal monitoring and collection procedures. With the implementation of Kenya's constitution, there are significant judicial reforms underway. The Office of the Public Prosecutor is

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organizing a special unit to address financial crimes and is collaborating with the Ethics and Anti-Corruption Commission to investigate illicit financial flows.

The POCAMLA does not criminalize terrorist financing; the draft anti-terrorism bill addressing terrorist financing languishes in Parliament, where it has been for years. POCAMLA provides for legal mechanisms to freeze or seize criminal accounts; however, the law has not yet been used to do this. Kenya does not have a mechanism or legal authority to freeze or seize accounts used for terrorist financing. In November 2011, the President signed the Mutual Legal Assistance Act. This Act will allow increased cooperation with its international partners. Although it had languished for a number of years, the Act became operational on December 2 and was gazetted on December 9, 2011.

Korea, Democratic Republic of

The Democratic People's Republic of Korea (DPRK or North Korea) is not a regional financial center. The regime has a history of involvement in currency counterfeiting, drug trafficking, and the laundering of related proceeds, as well as the use of deceptive financial practices in the international financial system. In the past, customs and police officials have apprehended DPRK diplomats or quasi-official representatives of state trading companies trying to smuggle narcotics, although such incidents have become less frequent in recent years. The DPRK regime continues to present a range of additional challenges for the international community, such as pursuit of nuclear weapons, weapons trafficking and proliferation, and human rights abuses. As a result, the DPRK is one of the most sanctioned countries in the world.

Access to current information on the financial and other dealings of the DPRK is hampered by the extremely closed nature of its society. The economic practice of *juche*, a constitutionally enshrined ideology in North Korea characterized by the goals of independence and self-reliance, has minimized international trade relations and discouraged foreign investment.

In February 2011, the Financial Action Task Force (FATF) called upon its members to advise their financial institutions to give special attention to business relationships and transactions with the DPRK, including DPRK companies and financial institutions. In addition to enhanced scrutiny, the FATF has called for its members to apply effective counter-measures to protect their financial sectors from money laundering and terrorism financing risks emanating from the DPRK.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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 available
Legal persons covered: ***criminally:*** Not available ***civilly:*** Not available

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other:* NO

With other governments/jurisdictions: NO

The Democratic People's Republic of Korea is not a member of a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

There is little available information on the DPRK's financial system. The DPRK has never undertaken a review of its anti-money laundering/counter-terrorist financing (AML/CFT) regime based on the international standards, and calls for the DPRK government to be involved in the mutual evaluation process have been unsuccessful. Therefore, a serious deficiency lies in the lack of detailed information on the DPRK's AML/CFT regime as well as mechanisms to verify the extent to which the DPRK's AML/CFT regime meets international standards.

In 2006, the DPRK adopted the Law on the Prevention of Money Laundering which states that the DPRK has a "consistent policy to prohibit money laundering." However, it is impossible to determine what standing this law has in the DPRK. The law is significantly deficient in most respects, and there is no evidence of an AML/CFT infrastructure in the DPRK capable of implementing the law. Lacking any type of sufficient AML/CFT regulatory authority, the DPRK cannot effectively supervise its financial institutions and enforce AML/CFT practices. Moreover, although the Law mentions effective monitoring and supervisory mechanisms, including powers to sanction financial institutions and other businesses and professions that do not comply with AML/CFT requirements, there is no explanation for how this is achieved or any framework established to implement sanctions.

The DPRK is party to a number of international conventions, including the 1988 UN Drug Convention. There is no evidence that the DPRK has taken sufficient steps to properly implement provisions contained in the conventions. The DPRK has signed, but not ratified, the UN Convention for the Suppression of the Financing of Terrorism, but there is no evidence of efforts to ratify the agreement or implement the UN resolutions relating to the prevention and suppression of the financing of terrorist acts, particularly UNSCR 1373.

Korea, Republic of

South Korea is not an offshore banking center. It has six free economic zones (FEZs), with Incheon International Airport wholly incorporated into one of the zones. While companies operating in FEZs enjoy certain tax privileges, they are subject to the same general laws on financial transactions as companies operating elsewhere. Korea mandates extensive entrance screening to determine companies' eligibility to participate in FEZ areas, and firms are subject to standard disclosure rules and criminal laws.

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While most money laundering in South Korea is associated with domestic criminal activity and official corruption, locally-based criminal groups associate with international crime syndicates involved in human trafficking, contraband smuggling, and related organized crime. Korean money launderers use illegal game rooms, customs and trade fraud, intellectual property theft, and counterfeit goods to conceal proceeds. They also exploit the zero value added tax (VAT) rates on gold bars. Launderers frequently use cash transactions or fraudulent bank accounts to conceal proceeds from illicit activities.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO
KYC covered entities: Banks, exchange houses, stock brokerages, casinos, insurance companies, merchant banks, mutual savings banks, finance companies, credit unions, credit cooperatives, trust companies, and securities companies

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 227,043 from January 1 to August 31, 2011
Number of CTRs received and time frame: 7,056,108 from January 1 to August 31, 2011
STR covered entities: Banks, exchange houses, stock brokerages, casinos, insurance companies, merchant banks, mutual savings banks, finance companies, credit unions, credit cooperatives, trust companies, and securities companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

The Republic of Korea 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.apgml.org/documents/docs/17/Korea%20MER%202009.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Republic of Korea Government (ROKG) revised the Prohibition of Financing for Offenses of Public Intimidation Act in August 2011 to criminalize provision or collection of funds or assets used by a terrorist organization or terrorist for purposes other than for terrorist acts.

Korea's AML/CFT regime requires all obligated entities to report STRs to the Korea Financial Intelligence Unit (KFIU). The ROK strengthened the STR system in June 2010, lowering the mandatory STR filing threshold from 20 to ten million won (approximately \$8,700). The ROK should make

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elimination of the STR reporting threshold a short-term goal, and require all covered entities to report all suspicious transactions.

Officials charged with investigating money laundering and financial crimes are widening their scope to include crimes related to commodities trading and industrial smuggling, and continue to search for possible links between domestic illegal activities and international terrorist activity. ROK authorities are investigating the underground alternative remittance systems used to send illegal remittances abroad by South Korea's approximately 545,369 documented and 54,769 undocumented foreign workers. According to the Korea Customs Service, there were 194 underground remittance (hawala) cases worth 1.36 trillion won (approximately \$1.2 billion) in 2010, and 69 cases totaling 1.015 trillion won (approximately \$898 million) in the first ten months of 2011.

The Government of the Republic of Korea (ROK) should expand its active participation in international AML/CFT efforts by becoming a party to the UN Convention against Transnational Organized Crime. The ROKG also should become a party to the UN Convention against Corruption.

Kosovo

Kosovo is not considered a regional financial or offshore center. The country has porous borders which facilitates an active black market for smuggled consumer goods and pirated products. According to the Customs Service, significant amounts of cigarettes and fuel are smuggled into the country. Kosovo is a transit point for illicit drugs, not a destination point. Proceeds of drug trafficking do not fund the black market of smuggled and pirated items.

Illegal proceeds from domestic and foreign criminal activity are generated from official corruption, tax evasion, customs fraud, organized crime, contraband and other types of financial crimes. Most of the proceeds from smuggling activity are believed to be laundered directly into the economy in areas such as construction and real estate, retail and commercial stores, banks, financial services, casinos and trading companies. Smaller amounts are thought to be laundered through the financial system.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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
Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: YES
KYC covered entities: Banks; money exchangers and remitters; securities brokers and service providers, portfolio and fund managers; insurance companies; issuers of traveler's checks, money orders, emoney, and payment cards; political parties; casinos; attorneys, accountants, notaries, and auditors; real estate agents; high-value goods dealers; and NGOs and Micro-Finance Institutions

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

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Number of STRs received and time frame: 224 from July 2010 – June 2011

Number of CTRs received and time frame: 109,098 from June 2011 – October 2011

STR covered entities: Banks; money exchangers and remitters; securities brokers and service providers, portfolio and fund managers; insurance companies; issuers of traveler's checks, money orders, emoney, and payment cards; non-governmental organizations; political parties; casinos; attorneys, accountants, notaries, and auditors; real estate agents; and high-value goods dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Three from January – June 2011

Convictions: Two from January – June 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES

With other governments/jurisdictions: YES

Kosovo is not a member of a Financial Action Task Force (FATF)-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Kosovo Police Economic Crimes and Corruption Directorate, the Organized Crime Directorate, the Special Prosecutors Anti-Corruption Task Force, the Financial Intelligence Unit (FIU), the Agency for the Management of Confiscated and Sequestered Assets, the Tax Investigations Unit, the Tax Administration of Kosovo (TAK) Gaming Department, and Customs Intelligence and Investigations are nascent entities which receive significant training and assistance. As each organization develops its capacity in enforcing laws, it must also learn how to coordinate with other agencies across the government. The weaknesses faced by these financial and law enforcement institutions do not represent a lack of commitment by Kosovo officials, rather the limitations are illustrative of a judicial and regulatory system that is in its infancy and still developing capacity.

The definition of PEP in Kosovo law is not comprehensive, largely covering only members of political parties.

The Kosovo draft Law on Games of Chance has been forwarded to Parliament for the first reading. Following passage into law, the TAK Gaming Department will be tasked with the development and implementation of a regulatory framework in accordance with the new law.

The Government of Kosovo (GOK) should continue its efforts to have the FIU become fully operational, compliant with international standards, and accepted by the international community. A review of Kosovo's judicial and regulatory regime to assess Kosovo's current state of compliance with international standards led to the development of an 89-item action plan to achieve compliance. The government now needs to develop a plan for achieving the suggested legal and/or regulatory changes.

Kosovo's lack of UN membership, stemming from political disagreements with Serbia, is a limiting factor on the country's participation in regional and international organizations, and makes Kosovo unable to become a party to any UN treaty or convention.

Kuwait

Financial crimes, such as money laundering and terrorist financing, remain concerns in Kuwait primarily due to lack of adequate legislation. As of December 2010, the Central Bank of Kuwait reported total

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banking sector assets of \$142 billion. Currently 21 banks operate in Kuwait: five commercial banks, five Islamic banks, ten branches of foreign banks, and the Central Bank of Kuwait.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks; financial institutions; insurance agents, brokers and companies; investment companies; exchange bureaus; jewelry establishments, including gold, metal, and precious commodity traders; real estate agents/establishments; and auditing firms

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks; financial institutions; insurance agents, brokers, and companies; investment companies; exchange bureaus; jewelry establishments, including gold, metal, and precious commodity traders; real estate agents/establishments; and auditing firms

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None in 2010 or 2011

Convictions: None in 2010 or 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO

With other governments/jurisdictions: YES

Kuwait 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 mutual evaluation report can be found here: <http://www.menafatf.org/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Kuwait's anti-money laundering (AML) law has not been updated since its passage in 2002. Kuwait has had difficulty implementing its AML law (Law No. 35) due in part to structural inconsistencies within the law itself.

Kuwait does not have specific legislation to target terrorist financing. The current AML law does not specifically cite terrorist financing as a crime; terrorist financing criminal cases are treated as crimes against the state. In December 2009, the Kuwaiti Government presented to parliament a draft comprehensive anti-money laundering/counter-terrorist financing (AML/CFT) law intended to bring Kuwait into compliance with international standards, and including definitions of roles and

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responsibilities and the establishment of a financial intelligence unit (FIU). In November 2010, the Kuwaiti Parliament sent the law back to the government directing it to consider placing provisions for the criminalization of terrorist financing into a separate law.

The vague delineations of the roles and responsibilities of the FIU, Central Bank of Kuwait (CBK), and the Office of Public Prosecution (OPP) continue to hinder the overall effectiveness of Kuwait's AML/CFT regime. Kuwait's FIU fails to meet the minimum criteria for membership in the Egmont Group. The FIU currently operates under the authority of the CBK and is not an independent, autonomous authority. Law No. 35 requires banks to file STRs with the OPP, which, in accordance with a memorandum of understanding with the Central Bank, will in turn refer the STRs to the FIU for analysis. The FIU conducts analysis and reports any findings to the OPP for the initiation of a criminal case. The FIU is further limited by its inability to share information about STRs with relevant authorities without prior approval from the OPP. Kuwait's FIU should be made the national authority for the receipt, analysis and dissemination of STRs and other reports, and given true operational independence.

Covered entities do not demonstrate an understanding of what comprises a suspicious transaction; and Kuwait's financial crimes enforcement and investigative capacity are also weak. In early 2011, responsibility for investigating money laundering crimes transferred from the Ministry of Interior to Kuwait State Security. Kuwaiti customs, police and prosecutors should be made aware of money laundering methodologies and should initiate inquiries and investigations without waiting for the filing and dissemination of a STR. In order to build domestic enforcement and investigative capacity and to increase public awareness about financial crimes and regulations, the Government of Kuwait (GOK) hosts money laundering training conferences and other similar events, sometimes in coordination with regional bodies and international organizations.

Although the law requires travelers to disclose to customs authorities upon entry if they are carrying any national or foreign currency, gold bullion, or other precious materials, the law does not require a universal written declaration when carrying cash or precious metals upon exiting Kuwait. Despite the criminalization of currency smuggling into Kuwait, cash reporting requirements are not uniformly enforced at ports of entry other than at Kuwait International Airport and the Al-Abdali point of entry. The last court case of currency smuggling on record was reportedly in 2008 and has not been prosecuted. Kuwait should take steps to implement and enforce a uniform cash declaration policy for both inbound and outbound travelers at all its points of entry.

The GOK monitors and regulates funds transfers by authorized charities abroad, using a coupon tracking system as well as electronic bank transfers to create a formal paper trail for all donations. The GOK reports that, despite increased regulations, the amount of donations continues to rise in Kuwait. Financial support to terrorist groups, both by charities and by individuals continues to be a major concern. Kuwait should criminalize terrorist financing and ratify and implement fully the United Nations International Convention for the Suppression of the Financing of Terrorism.

Kyrgyz Republic

The Kyrgyz Republic operates largely on a cash economy and with decentralized accounting systems, which makes money laundering difficult to detect. The banking sector is small and the Kyrgyz Republic is not a regional financial center. A significant percentage of the country's GDP comes from remittances from abroad, posing a money laundering vulnerability. Corruption, organized crime, and a significant shadow economy also make the country vulnerable to money laundering and terrorist financing. Narcotics trafficking, tax and tariff evasion, and corruption related to the performance of official duties or

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government contracts are generally regarded to be the major sources of laundered proceeds. Money laundering also allegedly occurs through trade-based fraud and bulk cash carriers.

The presence of hawalas, money or value transfer services, and free trade zones poses risks in regard to money laundering; however, there is little information available on these topics.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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:* NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO
KYC covered entities: Banks, credit institutions, stock brokerages, foreign exchange offices, casinos, insurance companies, notaries, tax consultants/auditors, realtors, the state's property agency, trustees, jewelry stores and dealers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, credit institutions, stock brokerages, foreign exchange offices, casinos, insurance companies, notaries, tax consultants/auditors, realtors, the state's property agency, trustees, jewelry stores and dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None 2008 - 2011
Convictions: None 2008 - 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES
With other governments/jurisdictions: YES

The Kyrgyz Republic is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.eurasiangroup.org/mers.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the Kyrgyz Republic (GOKR) has adopted anti-money laundering/counter-terrorist financing (AML/CFT) legislation and established the Financial Intelligence Service (FIS). However, the lack of political will and interagency cooperation, resource constraints, inefficient financial systems, and corruption hamper efforts to effectively combat money laundering and terrorist financing. Also, the FIS is not recognized by other government entities as a “legitimate” investigative agency, which causes a lack of cooperation and information sharing across agency lines. As of December 2011, the Kyrgyz

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Republic's Parliament and the GOKR were discussing the possibility of eliminating the FIS and transferring its functions to another government agency.

The banking system is at risk for money laundering, as oversight of the banking sector is generally weak, and key reporting issues need to be resolved: auto dealers and real estate developers are not included in the list of entities required to report large dollar transactions. Additionally, the statutory threshold amount that triggers mandatory reporting remains high at \$25,000.

The GOKR should continue to strengthen legislation as it relates to money laundering and financial crimes that support terrorist organizations. In addition, the Kyrgyz Republic must increase and enhance training in AML/CFT investigative techniques. The GOKR developed an action plan to adequately criminalize money laundering and terrorist financing; establish and implement an adequate legal framework for identifying, tracing and freezing terrorist assets; establish and implement adequate measures for the confiscation of funds related to money laundering; establish effective customer due diligence measures for all financial institutions; and implement an adequate and effective AML/CFT supervisory program for all financial sectors.

As of January 1, 2012, casinos will be outlawed in the Kyrgyz Republic. This will provide one less opportunity for money launderers to hide and disperse assets under the cover of a legitimate business operation.

Laos

Laos is not a regional or offshore financial center. However, its position at the crossroads of mainland Southeast Asia's drug trade, high rate of economic growth, and weak legal and regulatory framework make it vulnerable to money laundering activities. In 2011, the Government of Laos (GOL) reiterated an earlier estimate of the value of the illicit drug economy of 10% of GDP, or approximately \$750 million.

Development assistance from overseas donors accounts for over 80% of the GOL operating budget; there are concerns that a substantial portion of this funding may be stolen and subsequently laundered. Reliable public reporting of revenues from government and private mining and hydropower assets is often lacking. Bulk cash smuggling to Thailand, China, and Vietnam is likely occurring. During 2011 Lao law enforcement authorities seized several large amounts of cash during counternarcotics operations.

The gaming industry, primarily driven by Chinese tourists visiting casinos in Special Economic Zones (SEZs) near the border, continues to present a money-laundering opportunity outside of the formal financial sector. The Ministry of Information and Culture (MOIC) is responsible for the regulation of casinos in Laos. However, its regulatory regime has no known AML controls for casinos in place. Inside the financial system, the legal regime is inadequate to cope with the rapid growth of the banking sector, which has grown by approximately one-quarter in the last two years. SEZs present an additional complication for the anti-money laundering (AML) regime, as it is not clear that MOIC regulatory authority applies to casinos located inside the SEZs.

Terrorist financing is not criminalized, and there has never been a money laundering investigation or prosecution in Laos.

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:* NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO
KYC covered entities: Banks, finance companies, loan institutions and cash transfer companies

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 28 from October 2006 to December 2010
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, finance companies, loan institutions and cash transfer companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None
Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO
With other governments/jurisdictions: Not available

Laos 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/Lao%20PDR%20ME1.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The GOL continues to struggle with the implementation of existing anti-money laundering laws and decrees. Financial institutions, law enforcement, the Anti-Money Laundering Intelligence Unit (AMLIU) in the Bank of Laos (BOL), and justice system personnel still lack a clear awareness of the threat of money laundering. The establishment of a banking industry trade association in November 2011 provides a possible avenue for raising awareness about money laundering and financial crimes. The GOL should pursue additional avenues to ensure that covered entities are aware of their compliance responsibilities.

Reporting entities designated in the AML decree, other than financial institutions, remain unsupervised for AML purposes. The BOL-issued guidelines for suspicious transaction reporting have resulted in only a small number of reports to date. None are known to have resulted in referrals to law enforcement. The AMLIU continues to lack the technical and procedural means to detect and refer such cases. The GOL should improve the monitoring of all entities not supervised by the Bank of Laos for AML/CFT compliance. Laos began to address the vulnerabilities in the gaming industry through the issuance of a new Prime Ministerial Decree in 2010.

The GOL requires enhanced due diligence for high risk persons. However, the AMLIU defines a “high risk person” only as an individual who is or has been listed in the “black lists” of the United Nations, and does not clearly state that other individuals who meet a set of high-risk criteria can also be included. The GOL should clearly define high-risk persons to include politically exposed persons and others meeting the high risk profile, beyond those who are or have been on the U.N. designation lists.

Terrorist financing continues to be ignored. There is currently no defined protection against liability for individuals reporting ML/TF activity, nor is tipping off suspect individuals and entities that they are under

investigation for a criminal offense criminalized. The GOL should develop and implement safe harbor protection rules and criminalize tipping off.

Laos lacks a clear legal and procedural framework for the seizure of assets. The Lao criminal code and drug laws refer to the right of the state to seize assets of convicted drug traffickers, but the legal and procedural processes are not specified, and thus neither the prosecutors nor the court system have taken any legal action regarding asset seizures. The lack of an asset forfeiture regime could hinder Lao assistance in money laundering or terrorist financing investigations and assistance requests. The GOL should implement an asset forfeiture regime that includes a system to account for forfeited assets and ensure they are disposed of in accordance with the laws.

Latvia

Latvia is a regional financial center that has a large number of commercial banks with a sizeable non-resident deposit base. Total bank deposits have increased in the past year, with non-residential deposits increasing by 17% and comprising 41% of total bank deposits (as of August 2011).

In August 2006, the United States issued a Final Rule under Section 311 of the USA PATRIOT Act, imposing a special measure against the VEF Banka, as a financial institution of primary money laundering concern. The bank was found to lack adequate AML/CFT controls and was used by criminal elements to facilitate money laundering, particularly through shell companies. The Latvian authorities subsequently closed the bank, and on August 1, 2011, the Final Rule was rescinded.

Local officials do not consider proceeds from illegal narcotics to be a major source of laundered funds in Latvia, despite the interception of a record 80 kilograms of hashish at the Latvian-Russian border in early September. Authorities report that the primary sources of money laundered in Latvia are tax evasion; organized criminal activities, such as prostitution, tax evasion, and fraud, perpetrated by Russian and Latvian groups; as well as other forms of financial fraud. Officials report that questionable transactions and the overall value of money laundering have remained below pre-financial crisis levels. Latvian regulatory agencies closely monitor financial transactions to identify instances of terrorist financing.

Public corruption remains a problem in Latvia. This year, the Corruption Prevention and Combating Bureau (KNAB) initiated proceedings against several public officials for financial fraud, including money laundering. For example, an official of the Ministry of Finance was charged with bribing an official of the State Revenue Service (SRS) to allow illegal activities. In another instance, an assistant head of a Latvian-owned bank was arrested for allegedly demanding a 50,000 LVL (approximately \$100,000) bribe in return for a favorable loan.

There is a black market for smuggled goods (primarily cigarettes, alcohol and gasoline); however, contraband smuggling does not generate significant funds that are laundered through the financial system. In the first nine months of 2011, confiscation of smuggled goods has increased several fold over 2010 figures (494% more fuel has been seized so far).

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. The zones are covered by the same regulatory oversight and enterprise registration regulations that exist for other areas. In 2011, the SRS uncovered the largest fraud case in the history of the Riga Free Port; the criminal investigation into tax evasion and smuggling is ongoing.

Money Laundering and 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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, credit institutions, life insurance companies, intermediaries, private pension fund administrators, investment brokerage firms and management companies, currency exchange offices, and money transmission or remittance offices; tax advisors, external accountants, and sworn auditors; sworn notaries, advocates, and other independent legal professionals; trust and company service providers; real estate agents or intermediaries; organizers of lotteries or other gambling activities; persons providing money collection services; EU-owned entities; and any merchant, intermediary or service provider, where payment for goods or services is accepted in cash in an amount equivalent to or exceeding 15,000 EUR (approximately \$20,000)

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 15,467 from January 1 through October 31

Number of CTRs received and time frame: 10,961 from January 1 through October 31

NOTE: Number of CTRs includes both cash transactions and other unusual transactions, as per the Latvian Law.

STR covered entities: Banks, credit institutions, life insurance companies, intermediaries, private pension fund administrators, investment brokerage firms and management companies, currency exchange offices, and money transmission or remittance offices; tax advisors, external accountants, and sworn auditors; sworn notaries, advocates, and other independent legal professionals; trust and company service providers; real estate agents or intermediaries; organizers of lotteries or other gambling activities; persons providing money collection services; any merchant, intermediary or service provider, where payment for goods or services is accepted in cash in an amount equivalent to or exceeding 15,000 EUR (approximately \$20,000); and public institutions

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 39 persons prosecuted for 85 crimes from January 1 through October 31, 2011

Convictions: Six cases with final court judgments and eight convicted persons from January 1 through October 31, 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** 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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Money Laundering and Financial Crimes

In 2011, Latvia adopted beneficial ownership disclosure amendments which require shareholders owning 25% of shares or more to submit data identifying the natural person behind the shareholder. The latest amendments of the AML/CFT Law simplify customer due diligence, add payment services providers and electronic money institutions to the list of entities subject to the Law, and clarify the definition of “financial institutions.” Finally, the AML/CFT Law now extends to EU-owned entities and requires their compliance with the Latvian laws related to customer identification, due diligence, and record keeping.

Under Latvian law, foreign politically exposed persons (PEPs) are always subject to enhanced due diligence procedures. 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.

Latvian officials have cooperated with USG law enforcement agencies to investigate numerous financial narcotics-related crimes. The Latvian Financial and Capital Market Commission (FCMC) 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 the current AML/CFT laws. Total assets seized by law enforcement officials in money laundering cases was approximately 177,000 LVL (approximately \$347,000), a decrease from 2010.

“Internet phishing” crimes have increased from 67 in 2010 to 223 in the first ten months of 2011. The value of these transactions remains small and does not significantly contribute to money laundering. However, authorities are concerned that Latvian youth are allegedly used by the German and Dutch phishing hackers as “money mules,” allowing their bank accounts to serve as conduits for illicit money.

Latvia has comprehensive AML/CFT laws and regulations. The scope of the “shadow” (untaxed) economy (estimated at around 40% of the overall economy), geographic location, and public corruption make it challenging to combat money laundering. Despite these difficulties, Latvian law enforcement officials and regulators are making progress. FCMC reports that Latvian banks have substantially invested in their IT systems to design programs for identifying suspicious activities, especially with regard to high-risk clients. FCMC is committed to strengthen its capacity by increasing its human and financial resources, specifically for AML purposes. FCMC has also drafted a memorandum of understanding for cooperation with U.S. Commodity Futures Trading Commission and is awaiting the Commission’s reply.

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 \$8.4 billion in 2010. It has been reported that a number of Lebanese abroad are involved in underground finance and trade-based money laundering (TBML) activities. In 2011, Lebanese Canadian Bank was designated as a financial institution of primary money laundering concern under Section 311 of the USA PATRIOT Act.

Laundered proceeds come primarily from foreign criminal activity and organized crime, and Hizballah, which the United States has designated as a terrorist organization; though the Government of Lebanon (GOL) does not recognize this designation. Domestically, there is a black market for cigarettes, cars, counterfeit consumer goods, and pirated software, CDs and DVDs. However, the sale of these goods does not generate significant proceeds that are laundered through the formal banking system. In addition, the domestic illicit narcotics trade is not a principal source of laundered proceeds.

Lebanese expatriates in Africa and South America have established financial systems outside the formal financial sector, and some are reportedly involved in TBML schemes. Lebanese diamond brokers and purchasing agents are reportedly part of an international network of traders who participate in underground activities including the trafficking of conflict diamonds, diamond trade fraud (the circumvention of the Kimberly process) and TBML.

Exchange houses are reportedly used to facilitate money laundering and terrorism financing, including by Hizballah. 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.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, lending institutions, money dealers, financial brokerage firms, leasing companies, mutual funds, insurance companies, real estate developers, promotion and sale companies, high-value goods merchants (jewelry, precious stones, gold, works of art, archeological artifacts)

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 151 from December 2010 until October 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, lending institutions, money dealers, financial brokerage firms, leasing companies, mutual funds, insurance companies, real estate developers, promotion and sale companies, high-value goods merchants (jewelry, precious stones, gold, works of art, archeological artifacts)

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Seven - December 2010 through October 2011

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Lebanon is a member of 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/MER/MutualEvaluationReportoftheLebaneseRepublic-English.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Lebanon is seeking to finalize a regulation which would add predicate offenses to the existing money laundering law 318/2001. The draft legislation would also impose financial penalties on obliged entities for reporting violations, and oblige lawyers and accountants to report suspicious transactions.

A December 2010 amendment to circular 83 provides for enhanced due diligence procedures for foreign PEPs. Lebanon's financial intelligence unit, the Special Investigations Commission (SIC), has issued a number of circulars amending the regulations on the control of financial and banking operations for fighting money laundering and terrorism financing; all address exchange institutions and/or transactions with exchange institutions, or the cross-border transportation of cash, metal coins and bullion. The trading of bearer shares of unlisted companies remains a vulnerability, and the GOL should take action to immobilize those shares.

Although the number of filed STRs and subsequent money laundering investigations coordinated by the SIC has steadily increased over the years, prosecutions and convictions are still lacking. In addition, there should be more emphasis on proactive targeting and not simply a reliance on STRs filed by financial institutions to initiate investigations. This could be attributable to a lack of political will to effectively prosecute cases or a lack of resources and familiarity with AML/CFT standards. Corruption also touches all aspects of Lebanese society, which may impede prosecution efforts.

Lebanon's Internal Security Forces (ISF) received 49 SIC referrals and 22 Interpol notices to investigate money laundering and terrorist financing activities but there were no subsequent arrests or prosecutions. The ISF Money Laundering Department staff lacks the training and skill set to conduct effective money laundering investigations, as well as equipment and software programs to effectively track cases. Additionally, there is lackluster coordination among law enforcement entities. Linking the efforts of all concerned authorities and monitoring the effectiveness and efficiency of the AML/CFT system in general might improve the system's effectiveness. The GOL should encourage more efficient cooperation, including the development of task forces, between financial investigators and other relevant agencies such as Customs, the ISF, the SIC, and the judiciary. The GOL also 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.

Customs is required to inform the FIU of suspected TBML or terrorist financing; however, high levels of corruption within Customs create the potential to compromise effectiveness on measures addressing vulnerabilities for TBML and other threats. The GOL should enforce cross-border currency reporting. Existing safeguards also do not address the issue of the laundering of diamonds. Law enforcement authorities should examine domestic ties to the international network of Lebanese brokers and traders.

Lebanon should increase efforts to disrupt and dismantle terrorist financing efforts, including those carried out by Hizballah. Finally, the GOL should become a party to the UN International Convention for the Suppression of the Financing of Terrorism.

Lesotho

The Kingdom of Lesotho has a small, concentrated financial sector offering limited financial services. The financial sector is closely linked to that of South Africa. The Government of Lesotho (GOL) is increasing its ability to control and monitor the flow of money in Lesotho.

Money Laundering and Financial Crimes

While there is no significant black market for smuggled goods in the country, undeclared and under-declared items pass between Lesotho and South Africa daily. The vast majority of smuggling is low level and committed by individuals to avoid paperwork and hassle. Larger items are smuggled to avoid paying import fees and taxes.

Criminal activities have organized tendencies when involving cross-border crimes. Predicate offenses of concern include trafficking in drugs (mainly cannabis – locally known as dagga), fire arms and human beings; counterfeit and smuggling of tobacco/cigarettes and garments; smuggling of diamonds; robbery, including of cash in-transit; corruption (especially government procurement); fraud and forgery; and cattle theft.

There is no offshore center in Lesotho. Lesotho is a member of the Southern African Development Community (SADC) and the Southern African Customs Union (SACU). SACU provides a common external tariff and the duty-free flow of goods between its five member states. Eleven SADC member states launched a free trade area in 2008. The SADC free trade agreement (FTA) aimed to eliminate import tariffs, form a Customs Union in 2010, and adopt a common currency by 2018. However, the Customs Union has not been adopted and the FTA is well behind schedule.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, money lenders, money exchangers, brokers, insurance companies, securities dealers, real estate agents, gambling houses, casinos, the lottery, precious metals or stones dealers, and service providers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Six from January to October 2010

Number of CTRs received and time frame: Not available

STR covered entities: Banks, money lenders, money exchangers, brokers, insurance companies, securities dealers, real estate agents, gambling houses, casinos, the lottery, precious metals or stones dealers, and service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None in 2010

Convictions: None in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Lesotho 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/Deatiled-MER-for-the-Kingdom-of-Lesotho.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Lesotho adopted its 2010 National Strategy; however, inadequate resources, capacity, and expertise, as well as lack of awareness and training pose serious challenges to the adequate implementation of AML/CFT procedures. Lesotho, however, is making progress. The Directorate on Economic Offenses is forming its anti-money laundering unit; and the Ministry of Finance created the financial intelligence unit, which needs to be strengthened. Border enforcement and value transfer are areas of particular concern.

Liberia

Liberia is not a significant regional financial center and financial controls are weak. The Liberian economy is essentially cash-based, with both Liberian and U.S. dollars being legal tender, facilitating the laundering of U.S. currency. Currently, nine commercial banks operate in Liberia, eight of which are foreign-owned. There are presently 76 bank branches operating in 11 of Liberia's 15 counties. Approximately half of the banks provide money transfer services. Three offer credit cards, automated teller machines, internet banking and other modern bank products and services across the country. There also are over 700 licensed and non-licensed foreign currency exchange bureaux. Liberia has a significant market for smuggled goods, which are easily imported as a result of porous borders. There is little information on whether money laundering is linked to the sale of narcotics, but few hard drugs are interdicted in Liberia. The relative openness of Liberia's economy coupled with its craving for foreign investment makes the country potentially prone to some degree of illegal business activities.

There are no confirmed cases of money laundering or terrorist financing in the Liberian banking sector. Money laundering as an offense does not feature prominently on police records.

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 ***civily:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Central Bank of Liberia, banks, thrift and loan associations; broker/ dealers in securities and commodities; bureau de change, check cashers, issuers of credit cards, money orders and other similar instruments; insurance, loan or financing agencies and underwriters; and funds remitters

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: None in 2011
Number of CTRs received and time frame: None in 2011
STR covered entities: Central Bank of Liberia, banks, thrift and loan associations; broker/ dealers in securities and commodities; bureau de change, check cashers, issuers of credit cards, money orders and other similar instruments; insurance, loan or financing agencies and underwriters; and funds remitters

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Liberia is a member of the Inter Governmental Action Group Against Money Laundering in West Africa (GIABA), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:

http://www.giaba.org/media/M_evalu/GIABA%20DETAILED%20MUTUAL%20EVALUATION%20%20%20REPORT%20%20ON%20THE%20REPUBLIC%20OF%20LIBERIA%20-2011.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Liberia has not yet established a financial intelligence unit (FIU). The Central Bank of Liberia (CBL) receives STRs from licensed commercial banks which are analyzed for internal purposes only. Draft AML/CFT legislation, under review by the inter-ministerial committee comprising the CBL, Ministry of Finance and the Ministry of National Security, calls for setting up an FIU in the CBL. Intelligence related to money laundering and other financial crimes is handled by various government security organizations in an uncoordinated fashion.

In Liberia, a foreign exchange bureau may be established by any person, partnership or company upon receipt of a license from the CBL. Liberia has not implemented the regulation and supervision of bureau de change for AML/CFT purposes. In addition to the licensed forex bureaus, there are a number of unregulated money changers throughout the country whose activities have raised concerns among foreign exchange bureau operators and the general public. Throughout Liberia, forex is sold to anybody without identification or verification of the person's identity or business profile. The Association of Foreign Exchange Bureaux has appealed to the CBL to strictly enforce the CBL Regulations for Licensing and Supervision of Foreign Exchange Bureaux.

Liberia presently lacks a supervisory entity for the gaming sector consisting of two casinos.

The Liberia National Police and the National Bureau of Investigation have jurisdiction over financial crime investigations. The Ministry of National Security and the National Security Agency also have some authority to investigate financial crimes.

The Ministry of Justice has unlimited authority over asset forfeiture and seizure, while the Liberian Anti-Corruption Commission can trace, seize and freeze assets for those charged with corruption and economic sabotage. The police and other security officials have the power to seize drug-related assets, but need permission from the courts. Although the AML law provides for seizure of laundered assets including property, land, securities, and cash, there have been no arrests, prosecutions or convictions for money laundering or terrorist financing. The Liberian government has not frozen the assets of any of the Liberians (including four Liberian legislators) on the UN asset-freeze list.

Generally, implementation of laws is hampered by political interference, corruption and a lack of capacity within the judiciary, and a lack of adequate resources. Under Liberia's AML law, "serious crimes" covers only three of the 20 predicate offenses for ML listed in the international standards. The government of Liberia has not criminalized the financing of terrorism as required by the UN Security Council Resolution 1373.

In 2011, the CBL continued its transition to risk-based supervision of the financial sector.

Libya

2011 witnessed the collapse of the former Libyan government headed by Muammar Qaddafi. In response to the violent crackdown on the Libyan people, and in order to hasten the collapse of the Qaddafi regime, in February 2011 the United States imposed military and financial sanctions against the Libyan leader, his government, and his inner circle. The United Nations, United Kingdom, and European Union followed suit shortly thereafter. With Qaddafi's death in October, and the subsequent formation of an interim government, financial sanctions on Libya's Central Bank and foreign investment bank were lifted. As the Government of Libya (GOL) works to assert its authority, armed gangs, former members of fighting forces, tribes, and clans within Libya engage in criminal activity for profit, including theft, weapons trafficking, and extortion.

Despite high-level awareness of the need for diversification, for the foreseeable future the GOL will continue to be dependent on the oil and gas sectors of the economy to generate revenue. The markets remain primarily cash-based, and hawala and informal value transfer networks are present. Hawala money dealers (*muhawaleen*) are often used to facilitate trade and small project finance. Libya is a destination and transit point for smuggled goods, particularly black market and counterfeit goods from sub-Saharan Africa, Egypt, and China. Contraband smuggling reportedly includes narcotics, particularly hashish/cannabis and heroin. Libya is not considered to be a production location for illegal drugs, although its geographic position, porous borders and limited law enforcement capacity make it an attractive transit point for narcotics. Libya is also a transit and destination country for large numbers of migrants from sub-Saharan Africa and Egypt, whose movement across borders is primarily facilitated by bribery of border officials. Libya has been going through a slow opening of its financial sector and modernization of its banking system. Priorities for the new GOL remain to be seen.

Corruption remains a large problem. Libya is ranked 168 out of 183 countries in Transparency International's 2011 International Corruption Perception Index.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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:*** Not available ***civily:*** Not available

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks and financial institutions authorized by the Libyan Central Bank

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not applicable

Money Laundering and Financial Crimes

STR covered entities: Banks and financial institutions authorized by the Libyan Central Bank

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** NO

With other governments/jurisdictions: NO

Libya is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force (FATF)-style regional body. It has not yet had a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Particularly after the fall of the former Libyan regime, there is little information or reliable data on the scope of Libya's anti-money laundering/counter-terrorist financing countermeasures, including investigations, asset forfeiture, prosecutions, and convictions. In general, training and resources are lacking to conduct anti-money laundering awareness and for countermeasure implementation. Libya's financial intelligence unit (FIU) was set up under the Qaddafi regime and has retained its Qaddafi-era director.

It is illegal to transfer funds outside of Libya without the approval of the Central Bank of Libya (CBL). Cash courier operations are in violation of Libyan law. It is estimated up to 10% of foreign transfers are made through illegal means (i.e., not through the CBL). Prior to the revolution, between 1.5 and 2 million foreigners were thought to live and work in Libya. Although that number dropped dramatically during the revolution, foreign workers began to return to Libya in late 2011. Funds transfers by migrant workers (mainly from sub-Saharan Africa and Asia) are difficult for the Libyan government to monitor.

Trade is often used to provide counter-valuation or a means of balancing the books between hawaladars. Given the poor quality and limited reach of Libya's banking system, Libya's socialist practices, and commercial rivalries among regime insiders that discourage disclosure of income and business transactions, many Libyans and foreigners rely on informal mechanisms for cash payments and transactions. Until the recent revision of the tax code, tax rates of up to 80-90% also encouraged off-the-book transactions.

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 17 banks, 107 asset management companies, 40 insurance companies and 71 insurance intermediaries, 33 pension schemes and six pension funds, 392 trust companies and 21 fund management companies with approximately 469 investment undertakings (funds), and 637 other financial intermediaries. The three largest banks control 85% of the market.

In recent years the Principality has made continued progress in its efforts against money laundering as banking secrecy has been softened to allow for greater cooperation with other countries to identify tax evasion. The Liechtenstein Government has recognized the OECD standard as the global standard in tax

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cooperation and has 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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, securities and insurance brokers; money exchangers or remitters; financial management firms, investment companies, and real estate companies; dealers in high value goods; insurance companies; lawyers; money exchangers or remitters; casinos; the Liechtenstein Post Ltd.; and individuals acting as intermediaries in bank lending, money transactions, trading of currencies, or dealing in matters of wealth management and investment advice

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 328 in 2010

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, securities and insurance brokers; money exchangers or remitters; financial management firms, investment companies, and real estate companies; dealers in high value goods; insurance companies; lawyers; money exchangers or remitters; casinos; the Liechtenstein Post Ltd.; and individuals acting as intermediaries in bank lending, money transactions, trading of currencies, or dealing in matters of wealth management and investment advice

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Seven from October 19, 2010 to October 31, 2011

Convictions: None from October 19, 2010 to October 31, 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanisms:*** YES

With other governments/jurisdictions: YES

Liechtenstein 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-style regional body. Its most recent mutual evaluation can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Liechtenstein_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Because there are no laws for declaration of currency and monetary instruments, Liechtenstein's authorities cannot effectively conduct bulk cash investigations.

Liechtenstein has shown an important effort to improve deficiencies in combating money laundering. The 2010 reporting year saw a new record high number of suspicious activity reports (SARs), an increase of 39.6% over 2009. Nearly half (47.6%) of the SARs were based on fraud concerns; 8.8% on money laundering; and 30.6% on the other enumerated offense categories. In 2010, 83.8% of Liechtenstein's

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SARs were forwarded to the Office of the Public Prosecutor. No SARs were submitted for suspected terrorist financing. The present SAR reporting requirements do not clearly indicate whether attempted transactions relating to funds used in connection with terrorism are covered.

In practice, many of the customer characteristics often considered high-risk in other locales, including non-resident and trust or asset management accounts, are considered routine in Liechtenstein, 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. Liechtenstein should consider reviewing whether this decision makes its financial system more vulnerable to illegal activities.

There are reportedly no abuses of non-profit organizations, alternative remittance systems, offshore sectors, free trade zones, bearer shares, or other specific sectors.

Lithuania

Lithuania is not a regional financial center. Lithuania has adequate legal safeguards against money laundering; however, its geographic location makes it a target for smuggled goods and tax evasion. The sale of narcotics does not generate a significant portion of money laundering activity in Lithuania. Value added tax (VAT) fraud is one of the biggest sources of illicit income, through underreporting of goods' value. Most financial crimes, including VAT embezzlement, smuggling, illegal production and sale of alcohol, capital flight, and profit concealment, are tied to tax evasion by Lithuanians. There are no reports of public corruption contributing to money laundering or terrorist financing.

Lithuania has free economic zones (FEZ) in the cities of Klaipeda and Kaunas. As of yearend 2010, there are 20 businesses operating in the Klaipeda FEZ and nine in the Kaunas FEZ. The companies operating in the zones have the same accounting and identification responsibilities as those operating outside the zones. Lithuania's EU accession agreement permits the indefinite operation of existing free trade zones, but precludes the establishment of new ones.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks, credit unions, and financial leasing firms; insurance companies and brokers; lawyers, notaries, tax advisors, auditors, and accountants; investment and management companies; real estate brokers and agents; gaming enterprises; postal services; and dealers in art, antiquities, precious metals and stones, and high-value goods

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 207 by November 2011
Number of CTRs received and time frame: 478,295 by November 2011

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STR covered entities: Banks, credit unions, and financial leasing firms; insurance companies and brokers; lawyers, notaries, tax advisors, auditors, and accountants; investment and management companies; real estate brokers and agents; gaming enterprises; postal services; and dealers in art, antiquities, precious metals and stones, and high-value goods

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 13

Convictions: Nine

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Lithuania is a member of the 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/Lithuania_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2011, the Lithuanian Parliament adopted the draft law amending the Code of the Administrative Infringements that envisions higher penalties for non-compliance with preventive measures, differentiating violations subject to administrative penalties. Administrative proceedings will be brought against individuals and organizations' management. Also in 2011, the Lithuanian Parliament amended the AML/CFT Law with a new Article under which customs controls will be applied to cash brought into or leaving Lithuania from or into other EU countries.

The Financial Crime Investigation Service cannot use civil law to forfeit assets, as there are no such laws in Lithuania.

According to the Baltic Anti-Money Laundering Survey 2011, a majority of Lithuanian banks have assessed the overall level of regulatory burden as acceptable, but at the same time reveal a need for better focused requirements in order to ensure a more effective AML system.

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:

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“All serious crimes” approach or “list” approach to predicate crimes: Combination of listed crimes and a penalty threshold

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks and payment institutions; investment, tax, and economic advisers; brokers, custodians, and underwriters of financial instruments; commission agents, private portfolio managers, and market makers; managers and distributors of units/shares in undertakings for collective investments (UCIs); financial intermediation firms, registrar agents, management companies, trust and company service providers, and operators of a regulated market authorized in Luxembourg; foreign exchange cash operations; debt recovery and lending operations; pension funds and mutual savings fund administrators; corporate domiciliation agents, company formation and management services, client communication agents, and financial sector administrative agents; primary and secondary financial sector IT systems and communication networks operators; insurance brokers and providers; auditors, accountants, notaries, and lawyers; casinos and gaming establishments; real estate agents; and any other natural or legal persons trading in goods to the extent that payments are made in cash in an amount of €15,000 (approximately \$20,250) or more

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 7,741 as of November 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks and payment institutions; investment, tax, and economic advisers; brokers, custodians, and underwriters of financial instruments; commission agents, private portfolio managers, and market makers; managers and distributors of units/shares in undertakings for collective investments (UCIs); financial intermediation firms, registrar agents, management companies, trust and company service providers, and operators of a regulated market authorized in Luxembourg; foreign exchange cash operations; debt recovery and lending operations; pension funds and mutual savings fund administrators; corporate domiciliation agents, company formation and management services, client communication agents, and financial sector administrative agents; primary and secondary financial sector IT systems and communication networks operators; insurance brokers and providers; auditors, accountants, notaries, and lawyers; casinos and gaming establishments; real estate agents; and any other natural or legal persons trading in goods to the extent that payments are made in cash in an amount of €15,000 (approximately \$20,250) or more

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 127 as of November 2011

Convictions: 77 as of November 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Luxembourg is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/infobycountry/0,3380,en_32250379_32236963_1_70591_43383847_1_1,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

During 2011, competent authorities were busy implementing the comprehensive package of legislative and administrative actions that were put in place in 2010, notably the Law of October 27, 2010. This law

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introduces important changes to AML/CFT provisions and prescribes changes to 20 existing pieces of legislation. Most visibly, the financial intelligence unit (FIU) expanded its capabilities through the hiring of additional analysts and continued preparations for an enlargement of the FIU premises. Nevertheless, state prosecution officials have called publicly for further resources, notably more analysts. In response to these requests, the Ministry of Justice has pledged to continue supporting the state prosecution, and the FIU in particular, with the level of resources needed to fulfill its responsibilities. In terms of quantitative data, the number of transaction reports, money laundering criminal prosecutions, and convictions has risen in comparison to 2010 following the systematic implementation of the new legislation.

Macau

Macau, a Special Administrative Region (SAR) of the People's Republic of China, is not a significant regional financial center. However, with reported gaming revenues of \$30.5 billion from January to November 2011, Macau is the world's largest gaming market by revenue. Macau's gaming industry relies heavily on loosely-regulated gaming promoters, known as junket operators, for the supply of gamblers mostly from nearby mainland China. Increasingly popular among gamblers seeking inscrutability and alternatives to China's currency movement restrictions, junket operators are also popular among casinos aiming to reduce credit default risk and unable to legally collect gambling debts in China. This inherent conflict of interest, together with the anonymity gained through the use of the junket operator in the transfer and commingling of funds, as well as the absence of currency and exchange controls, present vulnerabilities for money laundering. Primary sources of criminal proceeds in Macau, attributed to criminal networks spanning across Macau's boundary with mainland China, are: gaming-related crimes, robbery offenses, corruption, organized crime, and narcotics crimes.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC 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, notaries, registrars, commercial offshore service institutions, lawyers, auditors, accountants, and tax consultants

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 1,190 from January to September 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: All persons, irrespective of entity or amount of transaction involved

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None from January to June 2011

Convictions: One from January to June 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES

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 and collaborates with other FIUs. 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 its FIU without term limits given its 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 (over MOP 500,000, approximately \$62,450) under the supplementary guidelines of the Gaming Inspection and Coordination Bureau (DICJ). Currently, the DICJ only shares statistical data on CTR filings with the FIU. To enhance the FIU's ability to detect and deter illicit activity, the FIU should have full access to CTR reports collected by DICJ.

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.

As a SAR of China, Macau cannot sign or ratify international conventions in its own right. Rather, China is responsible for Macau's international affairs and may arrange for the ratification of any convention to be extended to Macau. The 1988 Drug Convention was extended to Macau in 1999. The UN Convention against Transnational Organized Crime was extended to Macau in 2003. The UN Convention against Corruption and the International Convention for the Suppression of the Financing of Terrorism were extended to Macau in 2006.

Macedonia

Macedonia is not a regional financial center. Money laundering in Macedonia is mostly connected to financial crimes such as tax evasion, smuggling, financial and privatization fraud, insurance fraud,

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bribery, misuse of official position, and corruption. Most of the laundered proceeds come from domestic criminal activities. A small portion of money laundering activity may be connected to narcotics trafficking, although there is no evidence narcotics trafficking organizations or terrorist groups control money laundering. Organized crime groups involved in trafficking weapons or humans in Macedonia may have laundered the proceeds from these activities by investing in businesses.

Macedonia is not an offshore financial center, and shell banks are not allowed. Most financial transactions are done through the banking system; however, cash transactions and settlements of considerable amounts sometimes take place outside the banking system. There is no evidence that alternative remittance systems exist. There are a few operational free trade zones in Macedonia, which all function as industrial zones within which some foreign-owned industrial production facilities have the legal right to receive the benefits of a free trade zone. The GOM is trying to attract more foreign investment by leasing out several large free trade zones throughout the country.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, savings houses, exchange offices, central securities depository, brokerages, life insurance companies, auditing companies, accountants, notaries, attorneys, real estate agents, consultants, NGOs, car dealerships, cadastre, company service providers, and casinos

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 123 - January – October 2011
Number of CTRs received and time frame: 69,347 - January – October 2011
STR covered entities: Banks, savings houses, exchange offices, central securities depository, brokerages, life insurance companies, auditing companies, accountants, notaries, attorneys at law, real estate agents, consultants, NGOs, car dealerships, cadastre, company service providers, and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Four - January – July 2011
Convictions: Four - January – July 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Macedonia is a member of the 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/MK_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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Dealers of art, antiques, and other high-value consumer goods, entities dealing with jewelry and precious metals, and travel agencies are excluded from the list of entities obliged to report suspicious and cash transactions to the Macedonian FIU. In 2011, the Law on Money Laundering Prevention and other Criminal Proceeds and Financing Terrorism (AML/CFT Law) was amended to exclude stock exchanges, credit registry, credit bureaus, gaming centers, and non-life insurance companies from the list of obliged reporting entities. At the same time, car dealerships, cadastre, and company service providers were added to the list. So far, there is no evidence any of these entities engage in money laundering or terrorist financing activities. The amendments also strengthen and more precisely define the anti-money laundering/counter terrorist financing (AML/CFT) activities related to reporting entities other than banks.

Anonymous bank accounts and bearer shares are not permitted. Non-bank financial institutions, including exchange offices and non-bank money transfer agents, are poorly supervised and audited in regard to AML/CFT programs and practices. There is a need to improve supervision of the non-bank financial sector and provide necessary resources and training to ensure full implementation of laws. Reporting by lawyers, accountants, brokers, real estate agents, consultants, NGOs, casinos, and notaries is irregular, but improving due to awareness raising efforts.

The AML/CFT Law amendments give the FIU the authority to order the reporting entities to monitor the business relationship when there is suspicion of money laundering or terrorism financing. The law also provides a more precise definition of supervisory authorities, fines and penalties for non-compliance, and provisions for more education and training for reporting entities.

The FIU's competencies overlap in many areas with the Public Revenue Office, the Customs Administration, the Financial Police, and the regular police. Coordination among them has been effective in the past few years, especially when working in joint working groups formed and led by a public prosecutor. This has resulted in several coordinated large-scale investigations of cases concerning money laundering, tax evasion, fraud, corruption, and misuse of official position, involving numerous companies and individuals.

To date, there have been no convictions for terrorist financing. A few smaller banks and all savings houses lack the ability to electronically identify account holders and transactions by named individuals.

In 2010, Macedonia passed amendments to the Criminal Procedure Code (CPC) that allow the use of specialized investigative methods in investigating money laundering cases. The effective date of the new CPC has been moved back from late 2011 to November 2012. Real reforms in the judiciary that should enable much stronger efforts against organized crime, terrorism, money laundering, and narcotics smuggling are largely lagging behind. The judicial system is highly politicized and inefficient. Rule of law is not well respected, and selective enforcement of justice is common.

Madagascar

Madagascar is neither a regional financial center nor a major drug trafficking country. Madagascar's inadequately monitored 3,000 mile coastline facilitates smuggling and money laundering. Drugs transiting the country are mainly shipped to the neighboring islands. Public corruption, violations of the foreign exchange code, and illegal rosewood logging are the major sources of illicit proceeds. Smuggling of gemstones and protected flora and fauna also generate laundered funds. Criminal proceeds laundered in the country derive mostly from domestic criminal activity, but are often linked to international trade. It is suspected most money laundering occurs through informal channels and is not tracked by the government.

Money Laundering and Financial Crimes

Offshore banks and international business companies are permitted in Madagascar. Along with domestic banks and credit institutions, offshore banks are required to request authorization to operate from the Financial and Banking Supervision Committee (CSBF), which is affiliated with the Central Bank.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Financial institutions

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 49 in 2010

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, money changers, gambling establishments, real estate entities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 15 in 2010

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO

With other governments/jurisdictions: NO

Madagascar is not a member of a Financial Action Task Force-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Madagascar (GOM) should continue to implement the requirements of Law 2004-020 and internationally recognized anti-money laundering/counter-terrorist financing standards. The GOM should pass the stalled legislation on terrorist financing.

In 2008, Madagascar created a financial intelligence unit, SAMIFIN, to carry out research and financial analysis related to money laundering. SAMIFIN is not yet a member of the Egmont Group. In 2010, SAMIFIN identified ariary 316,704 billion (approximately \$158 million) of suspicious transactions in the construction, logging and mining sectors. In addition, SAMIFIN noticed several payments in foreign currency without counterparts in imports. A suspicious transfer involving a religious association was also received.

Money laundering related to underground finance and informal value transfer systems should be recognized and investigated. The GOM should train police and customs authorities to proactively recognize money laundering at the street level and at the ports of entry. Additionally, prosecutors should receive training so they are more able to successfully prosecute complex financial crime and money laundering cases.

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Madagascar has established contact with the Eastern and Southern Africa Anti Money Laundering Group to discuss possible membership.

Malawi

Malawi is not a regional financial center. One of the primary sources of illicit funds is the production and trade of Cannabis Sativa (Indian hemp) which is extensively cultivated in remote areas of the country. Anecdotal evidence indicates that Malawi is a transshipment point for other forms of narcotics trafficking. Human trafficking, vehicle hijacking, fraud, and corruption are also areas of concern. Smuggling and the laundering of funds are exacerbated by porous borders with Mozambique, Zambia and Tanzania. Malawi has a cash based economy, and there are usually few paper trails to follow in financial investigations.

The Government of Malawi (GOM) has adopted anti-money laundering and counter-terrorist financing legislation; however, the development of institutional capacity and enforcement mechanisms is still lacking.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, microfinance institutions, money transmitting firms, discount houses, foreign exchange bureaus, real estate agencies, casinos, accountants, lawyers, dealers in precious metals and stones, and capital markets

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 21 in 2011
Number of CTRs received and time frame: 509,765 from January to October 2010
STR covered entities: Banks, foreign exchange bureaus, microfinance institutions, money transmitting firms, discount houses, real estate agencies, casinos, accountants, lawyers, dealers in precious metals and stones, and capital markets

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two
Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* NO
With other governments/jurisdictions: YES

Malawi 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/reports/me.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The GOM should work toward full implementation of its anti-money laundering/counter-terrorist financing (AML/CFT) legislation. Malawi's financial intelligence unit (FIU) is set up within the Reserve Bank of Malawi. A permanent FIU Director has not been named.

Although all banks, non-bank financial institutions and designated non-financial businesses and professions covered under the Money Laundering Act must report STRs, to date only banks and foreign exchange bureaus forward reports to the FIU. During 2011, the STRs were disseminated to the Malawi Revenue Authority, Reserve Bank of Malawi, Immigration, Anti-Corruption Bureau, and Fiscal and Fraud Unit of the Malawi Police Service. There have been no successful prosecutions or convictions for money laundering in Malawi. Progress is hampered by a lack of capacity and investigative and prosecutorial expertise. Authorities believe that a deficient national identification system also makes it difficult for financial institutions to apply a standard form of identification.

In 2011, the FIU signed memorandums of understanding with the Immigration Department, Reserve Bank of Malawi, Malawi Revenue Authority and the Malawi Police Service to implement a process for the declaration of currency, precious stones or metals, and negotiable bearer instruments at borders or other ports of arrival or departure.

Malaysia

Malaysia is a growing regional financial center and has a well-developed anti-money laundering/counter-terrorist financing (AML/CFT) framework. Malaysia's long porous land and sea borders and its strategic geographic position increase its vulnerability to transnational criminal activity, including money laundering and terrorist financing. Malaysia is primarily used as a transit country to transfer drugs originating from the Golden Triangle and Europe; and Iranian and Nigerian drug trafficking organizations are the main sources of illegal proceeds in Malaysia. Drug trafficking is the main source of illegal proceeds in Malaysia.

Malaysian authorities also highlight illegal proceeds from corruption as a significant money laundering risk. Other common predicate offenses generating significant proceeds in Malaysia include fraud, criminal breach of trust, illegal gambling, credit card fraud, counterfeiting, robbery, forgery, human trafficking, extortion and smuggling. Smuggling of goods subject to high tariffs is a major source of illicit funds. Customs' efforts to investigate invoice manipulation identified risks from trade based money laundering.

Free trade zones in Malaysia are divided into Free Industrial Zones (FIZ), where manufacturing and assembly takes place, and Free Commercial Zones (FCZ), generally for warehousing commercial stock. The FIZs are designed mainly to promote manufacturing industries producing goods mainly for export and are dominated by large international manufacturers attracted to the zones because they offer preferential tax and tariff treatment. Currently there are 17 FIZs and 17 FCZs in Malaysia. Companies wishing to operate in a FIZ or FCZ must be licensed.

Malaysia's offshore financial center on the island of Labuan is subject to the same AML/CFT laws as those governing onshore financial service providers. The financial institutions operating in Labuan are generally among the largest international banks and insurers. Offshore companies must be established through a trust company, which is required by law to establish true beneficial owners and submit suspicious transaction reports (STRs).

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A number of terrorist organizations have been active on Malaysian territory, and authorities have taken action against Jemaah Islamiah and other terrorist networks. Terrorist financing in Malaysia is predominantly carried out using cash and relies on trusted, clandestine networks.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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 ***civily:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks in the conventional, Islamic, and offshore sectors; offshore listing sponsors and trading agents; stock and futures brokers; unit trust, investment fund, and futures fund managers; money lenders and pawnbrokers; money remitters; charge account and credit card issuers; insurance financial advisers; e-money issuers; leasing and factoring businesses; lawyers, public notaries, accountants, and company secretaries; licensed casinos and gaming outlets; registered estate agents; trust companies, and dealers in precious metals and stones

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Number of STRs received and time frame: 16,643 in 2010
Number of CTRs received and time frame: Not available
STR covered entities: Banks in the conventional, Islamic, and offshore sectors; offshore listing sponsors and trading agents; stock and futures brokers; wholesale money changers; unit trust, investment fund, and futures fund managers; money lenders and pawnbrokers; money remitters; charge account and credit card issuers; insurance financial advisers; e-money issuers; leasing and factoring businesses; lawyers, public notaries, accountants, and company secretaries; licensed casinos and gaming outlets; registered estate agents; trust companies, and dealers in precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 100 from 2004 to October, 2011
Convictions: 26 from 2004 to October, 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other: YES
With other governments/jurisdictions: YES

Malaysia 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/Malaysian%20MER%20-%20FINAL%20August%202007.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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Reporting institutions are subject to strict customer due diligence (CDD) rules, and the Government of Malaysia (GOM) has adopted banker negligence laws that extend criminal liability to bank directors if their institution launders money or finances terrorism.

The use of informal remittances, which are not subject to AML/CFT controls, creates vulnerability for abuse by money launderers and terrorist financiers. Malaysia's competent authority for implementing its AML/CFT laws, Bank Negara Malaysia, should continue its efforts to encourage the use of formal remittances. Additionally, law enforcement and customs authorities should examine trade based money laundering and invoice manipulation and their relationship to underground finance and informal remittance systems. Malaysia should more aggressively identify, investigate and prosecute drug trafficking kingpins.

In the past 12 months, Malaysia initiated eight new terror finance investigations under its AML/CFT legal framework. Malaysia should take further steps to increase capacity to identify, investigate, and prosecute terrorist and proliferation financing.

Malaysia's Labuan Financial Services Authority (LFSA) is responsible for ensuring AML/CFT compliance on Labuan, the country's international offshore financial center. The Labuan Financial Services and Securities Act of 2010 gives LFSA more regulatory, investigative and enforcement authorities over offshore financial services companies licensed in Labuan and removes privacy restrictions on its access to Labuan-based account activities. In 2011, the Inland Revenue Board launched a wide-ranging investigation into money laundering and smuggling activities in Labuan.

In February 2009, LFSA issued an operating license to First East Export Bank (FEEB), a wholly owned subsidiary of Iran-based Bank Mellat, which in 2007 was designated by the United States under Executive Order (E.O.) 13382 for its proliferation finance activities. FEEB opened its Labuan operation in August 2009. The United States designated FEEB under E.O. 13382 on November 5, 2009, based on its relationship to Bank Mellat. On June 9, 2010, UNSCR 1929 listed FEEB as an entity subject to UN sanctions. The GOM ordered FEEB's assets frozen and prohibited Malaysian banks from transacting business with FEEB on July 14, 2010, in full compliance with UNSCR 1929. LFSA should remain vigilant to any attempts to use Labuan for proliferation and terrorism finance activities.

Maldives

Maldives has a small financial market but is susceptible to money laundering and terrorist financing due to limited oversight capacity. No official figures are available, but anecdotal evidence suggests that illegal drug trafficking in psychotropic substances and corruption produce significant amounts of illegal funds. Drug trafficking is noted as one of the most frequent asset-generating crimes and is estimated to produce up to \$57 million per year. There are indications funds are raised in the country to finance terrorist activities abroad. Other predicate offenses include human trafficking, piracy, and offenses committed by gangs. Even though the number of corruption cases is low, only a small percentage are prosecuted and reports indicate the sums involved can be significant.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, security sector licensees

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: None in 2010

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, security sector licensees

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Maldives is a member of the Asia/Pacific Group on Money Laundering, 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/Maldives%20-%20published%20DAR.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Money laundering is criminalized in Maldives only with respect to proceeds of offenses listed in the Drugs Act. Although all categories of offenses set out in the international standards have been criminalized, only drug-related offenses are predicate offenses for money laundering, constituting a major shortcoming of the current anti-money laundering/counter-terrorist financing (AML/CFT) framework.

No enforceable AML/CFT obligations are in place. A Banking Act was put in place in 2010 that requires banks to implement basic AML/CFT measures such as customer identification and reporting of suspicious transactions to the financial intelligence unit within the Central Bank’s Maldives Monetary Authority. Beginning in April 2011, intermediaries in the securities sector are required to implement limited AML/CFT measures. Oversight efforts are still in the initial stages.

Shortcomings in the overall criminal legislative framework, in particular with respect to criminal procedure, and the lack of resources of competent authorities make it challenging for the Maldives to fight effectively against money laundering and terrorist financing. Maldives Police Services, the Prosecutor General’s Office and the judiciary need capacity building and training to enforce the existing AML/CFT system.

The Government of the Maldives should become a party to the United Nations Convention against Transnational Organized Crime.

Mali

Mali is not a regional financial center, and presently has no free trade zones or offshore sectors. Like most West African countries, Mali relies on cash for virtually all daily transactions. Illegal proceeds derive from rampant trafficking of drugs, small arms, people, and everyday commodities across the Algerian and Mauritanian borders in the sparsely-populated north of the country. Authorities believe that terrorist cells from al-Qaida in the Islamic Maghreb, known to operate in the north, are involved in smuggling as well as kidnapping for ransom as funds-generating activities. Malian authorities believe that proceeds from cocaine trafficking into Europe from South America may be passed through Malian banks, but lack the resources to make such a determination.

Mali is a member of the West African Economic and Monetary Union (WAEMU), which also includes Benin, Burkina Faso, Cote D'Ivoire, Guinea-Bissau, Niger, Senegal, and Togo. All of the WAEMU members share a common currency, the (West African) CFA, and have developed a common anti-money laundering/combatting the financing of terrorism (AML/CFT) framework, including legal and financial intelligence unit (FIU) structures.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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.: Not available

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, the Public Treasury, microfinance entities, the post office, currency exchanges, insurance companies and brokers, securities and asset brokers and managers, the regional stock exchange, mutual funds, casinos

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 15 in 2011
Number of CTRs received and time frame: 13 in 2011
STR covered entities: Specialized financial organizations, banks, the Public Treasury, microfinance entities, the post office, currency exchanges, insurance companies and brokers, securities and asset brokers and managers, the regional stock exchange, mutual funds, attorneys, notaries, auditors, real estate and travel agents, non-governmental organizations, casinos and gaming establishments, and dealers of high-value goods and precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Six in 2011
Convictions: None in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Mali is a member of the Inter Governmental Action Group Against Money Laundering in West Africa (GIABA), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation report can be found here: <http://www.giaba.org/reports/mutual-evaluation/Mali.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although Mali's anti-money laundering law covers a number of financial sectors, very few comply with their legal reporting obligations. While businesses are technically required to report cash transactions over approximately \$10,000, most do not. With the exception of casinos, designated non-financial businesses and professions are not subject to customer due diligence requirements. While Mali criminalizes tipping off for terrorist financing-related STRs in its December 2010 legislation, it does not appear to have criminalized tipping off in relation to other types of STRs.

Mali's financial intelligence unit, the Cellule Nationale de Traitement des Informations Financières (CENTIF), seeks closer relations with foreign financial intelligence units, which will likely come to pass since CENTIF became a member of the Egmont Group of FIUs in 2011. CENTIF's staff includes secondments from the customs service, police, and gendarme forces; additional training is needed for new CENTIF staff members. Significant challenges to the effectiveness of Mali's AML/CFT regime remain, including a lack of resources to perform outreach and mount sensitization and training for financial institutions as well as other financial sectors.

Mali also lacks capacity in investigation of money laundering and terrorist financing. For example, Mali lacks the capacity to trace informal networks and money/value transfer systems, including hawalas. There is also doubt as to whether the state prosecutor's office understands complex financial crimes sufficiently to be able to pursue money laundering or terrorist financing crimes effectively and to a successful prosecution. In the three years since CENTIF was organized, there have been no successful prosecutions for AML/CFT violations.

Malta

Malta is not a regional financial center. Malta's location between North Africa and Italy makes it a transit point for narcotics and human trafficking to Europe. Incidents of fraud, forgery, and embezzlement are also a concern.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, currency exchange offices, stockbrokers, insurance companies, money remittance/transfer services, real estate agencies, auditors, accountants, notaries, tax advisors, trust and asset managers, company formation agents, nominee shareholders, casinos, auctioneers, and dealers in art, precious metals and stones

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 73 in 2010

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, currency exchange offices, stockbrokers, insurance companies, money remittance/transfer services, real estate agencies, auditors, accountants, notaries, tax advisors, trust and asset managers, company formation agents, nominee shareholders, casinos, auctioneers, and dealers in art, precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Eight in 2010

Convictions: One in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Malta is a member of the 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/Malta_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Malta Police Economic Crimes Squad is responsible for the investigation of all financial related crimes. Its Money Laundering Unit investigates reports sent by the financial intelligence unit as well as reports from other sources.

The Government of Malta should continue to enhance its anti-money laundering/counter-terrorist financing legislation and procedures, as appropriate.

Marshall Islands

The Republic of the Marshall Islands (RMI) is not a regional financial center. It consists of 29 atolls and five islands, covering 70 square miles of land, spread across 750,000 square miles of ocean. The country is not economically developed and has limited resources for development. The RMI signed a Compact of Free Association with the United States in 1986, and relies on the United States for the majority of its economic support. There are no known terrorist or narcotics money laundering activities in the Marshall Islands. There are two banks in the country and no brokerage houses or other types of financial firms. Land cannot be sold, and there are no realtors. There are no casinos in the Marshall Islands.

The RMI offshore corporate sector is vulnerable to money laundering. The Marshall Islands Trust Company and the Marshall Islands Maritime & Corporate Administrators, Inc., provide for a robust registration of corporations and ships. The RMI fleet is the third largest flagged fleet in the world, although few of the vessels come to the Marshall Islands. Available information indicates non-resident corporations (NRCs), the equivalent of international business companies, can be formed online. NRCs are allowed to offer bearer shares, and corporate officers, directors, and shareholders may be of any nationality and live anywhere. NRCs are not required to disclose the names of officers, directors, shareholders or beneficial owners, and corporate entities may be listed as officers and shareholders. The corporate registry program, however, does not allow the registering of offshore banks, offshore insurance

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firms, online gaming institutions, or other companies which are financial in nature. Although NRCs must maintain registered offices in the Marshall Islands, corporations can transfer domicile into and out of the RMI with relative ease. Marketers of offshore services via the Internet promote the Marshall Islands as a favored jurisdiction for establishing NRCs. In addition to NRCs, the Marshall Islands offer nonresident trusts, partnerships, unincorporated associations, and domestic and foreign limited liability companies. No current information is available on the extent of offshore corporate operations.

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 defined

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Financial institutions; insurers, insurance brokers and intermediaries; securities, exchange and interest rate instruments dealers, futures and options funds and brokers, and bullion dealers; businesses issuing, selling or redeeming travelers checks, money orders, or similar instruments; payroll service businesses involved in collecting, holding and delivering cash; gambling houses, casinos, and lotteries; currency dealers and exchangers, and money transmission services

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 14 from January 1 to December 7, 2011

Number of CTRs received and time frame: 2,971 from January 1 to December 7, 2011

STR covered entities: Financial institutions; insurers, insurance brokers and intermediaries; securities, exchange and interest rate instruments dealers, futures and options funds and brokers, and bullion dealers; businesses issuing, selling or redeeming travelers’ checks, money orders, or similar instruments; payroll service businesses involved in collecting, holding and delivering cash; gambling houses, casinos, and lotteries; currency dealers and exchangers, and money transmission services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** NO

With other governments/jurisdictions: YES

The Marshall Islands 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/RMI%20ME%202.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

With the assistance of the United States and EU donors, the RMI passed national laws that can be used to prosecute money laundering crimes; however, these laws have not yet been used. The laws criminalizing money laundering cover both individuals and corporations, although predicate crimes are not defined either by list or an all serious crimes approach. The statutes do not include incarceration as a penalty.

Although there presently are no casinos in the RMI, they are covered under the AML laws. The RMI should establish disclosure protections and criminalize tipping off. The RMI should also strengthen KYC requirements, large currency transaction reporting, and records retention.

The RMI should establish an independent national system and mechanism for freezing terrorist assets in a timely manner.

The RMI should ensure its offshore sector is adequately supervised and that information on company ownership and management is available to law enforcement and supervisory authorities. The Marshall Islands signed a tax treaty with Australia, and is in the process of signing tax and other types of treaties with other nations. On September 29, 2011, it became a party to the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

Mauritania

The Islamic Republic of Mauritania has a largely informal and under-developed economy. Its economic system suffers from a combination of weak government oversight, lax financial auditing standards, a large informal trade sector, porous borders, lack of enforcement, and corruption in government and the private sector. In recent years, Mauritania has become a transshipment point for cocaine from South America intended for the European market. General smuggling, trafficking in vehicles stolen mostly in Europe, parallel networks, and the provision of logistical support for organized international drug traffickers are all serious problems. Following the election of President Mohamed Ould Abdel Aziz in July 2009, and in response to increasing terrorist and illicit trafficking activities along its long and porous borders with Algeria and Mali, the Government of Mauritania (GOM) began an aggressive campaign against both corruption and the terrorist network of al-Qaida in the Islamic Maghreb.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: YES
KYC covered entities: Banks and money exchangers and remitters

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Five 2005 - 2011
Number of CTRs received and time frame: Not available
STR covered entities: Banks and money exchanges/remittance offices

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Four

Convictions: Two, and two awaiting judgment

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Mauritania is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF). Its most recent mutual evaluation report can be found here: www.menafatf.org

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While Mauritania has been successful in creating a legal and institutional framework to fight financial crimes, there remain many challenges to its successful implementation of that framework, especially given Mauritania's cash-based and informal economy. All legal entities, corporations, partnerships, and individuals are covered under Mauritanian laws to prevent laundering and terrorist financing and are subject to both criminal and civil penalties, depending upon the crime committed.

The Financial Information Analysis Commission (CANIF), Mauritania's financial intelligence unit, would like to expand the legal structure to include real estate holding companies and the complete money/value transfer sector. Monitoring the informal financial markets remains a challenge. Only 4% of Mauritanian adults have access to a bank account, and the money/value transfer sector remains vulnerable to exploitation. Mauritanian authorities are aware of these issues and are working to formalize financial transactions to the extent possible and to devise mechanisms to prevent the exploitation of the remittance sector and other non-bank financial sectors. In 2011, two orders were signed: Order N 640 promulgates an anti-money laundering/counter-terrorism financing ruling covering non-financial companies, real estate agents, and lawyers; and Order N 641 does the same for non-governmental organizations.

President Aziz empowered the Office of the Inspector General of the State and the CANIF to lead efforts to identify, prevent, and reduce corrupt practices and financial crimes, including financial crimes linked to narcotics and terrorist finance networks. CANIF falls under the jurisdiction of the Central Bank of Mauritania and includes representatives of the Mauritanian Ministries of Finance and Justice, as well as the customs authority, national police, and Gendarmerie working together to identify, investigate, prevent, and prosecute financial crimes. In January 2011, CANIF released its first-ever annual report on financial crime in Mauritania. Given that CANIF is a young organization, there is still a great deal of work to be done to formalize its operating procedures and build capacity.

Mauritius

Mauritius has developed a reputation as a well-regulated and credible international financial center. According to the Mauritius' Independent Commission Against Corruption (ICAC), laundered funds are primarily the proceeds from drug trafficking – mainly heroin, and increasingly, subutex. Other predicate crimes for money laundering include larceny, conspiracy, forgery, swindling, and corruption. While criminal proceeds are derived from both domestic and foreign criminal activities, criminal proceeds laundered in Mauritius are generally not controlled by drug trafficking organizations or organized criminal groups. There is no significant black market for smuggled goods in Mauritius, although there is occasional smuggling of stolen automobiles and cigarettes. According to ICAC, money laundering occurs in the banking system, the offshore financial center, and the non-bank financial system.

The Mauritius Global Business Sector is a major route for foreign investments into the Asian sub-continent and is by far the largest source of foreign direct investment and portfolio investment in India.

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As of September 2011, there were 27,670 Global Business Companies (GBCs) in Mauritius, including 806 licensed global funds. The offshore sector also includes management companies licensed by the Financial Service Commission (FSC) to provide professional services to GBCs. Shell companies and bearer shares are not allowed in Mauritius nor are nominee or anonymous directors or trustees.

The Mauritius Freeport, a free-trade zone (FTZ), was established to promote the country as a regional FTZ center for Eastern and Southern Africa and the Indian Ocean rim. There are currently about 275 companies which are active in Mauritius Freeport, with a turnover estimated at \$667 million.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, insurance companies, securities dealers, money changers, foreign exchange dealers, accountants, attorneys, barristers, notaries, chartered secretaries, gaming centers, jewelry dealers, land promoters, property developers, estate agents

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 18 from January 2011 to October 2011
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, insurance companies, securities dealers, money changers, foreign exchange dealers, accountants, attorneys, barristers, notaries, chartered secretaries, gaming centers, jewelry dealers, land promoters, property developers, estate agents

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 24 from January 2011 to October 2011
Convictions: 13 from January 2011 to October 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* NO
With other governments/jurisdictions: YES

Mauritius 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/reports/view_me.php?id=173

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Limited training and capacity of the judiciary and the ICAC compromises Mauritius' ability to successfully implement its AML regime. Stronger support of judges is needed to carry cases through to successful prosecution.

Legislation to correct deficiencies and amend the AML framework has been pending since 2006, but most of the amendments have not been tabled in the National Assembly. Although coordination is possible via

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the 2003 Mutual Assistance in Criminal and Related Matters Act, international cooperation, particularly sharing of information, is a lengthy and uncertain process. Timely access to financial documents domestically also is a problem. While Mauritius has a legal framework enabling it to freeze terrorist-related assets without delay, its ability to do so is subject to compliance with judicial proceedings.

The 2011 Asset Recovery Act, passed in the National Assembly in April 2011, will take effect on February 1, 2012. The new law is intended to enable the forfeiture of proceeds of crimes to compensate victims, whether the State or an individual. It contains provisions of both conviction-based and non-conviction based forfeiture. The Director of Public Prosecutions is designated to exercise enforcement powers included in the law. Additionally, the law provides for the Recovered Assets Fund, where forfeited assets would be placed.

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 laundered proceeds 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, the large flow of legitimate remittances, and the high volume of legal commerce to conceal transfers 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 and a large cash-based informal sector complicates the problem. According to U.S. authorities, drug trafficking organizations send between \$19 and \$39 billion annually to Mexico from the United States, although the Government of Mexico (GOM) disputes this figure. Mexico has seized over \$500 million in bulk currency shipments since 2002.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring funds, casas de cambio, centros cambiarios (unlicensed foreign exchange centers), savings and loans institutions, money remitters, SOFOMES (multiple purpose corporate entity), SOFOLES (limited purpose corporate entity), and general deposit warehouses

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 36,040 - January through September 2011

Number of CTRs received and time frame: 4.1 million - January through September 2011

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STR covered entities: Banks, mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring funds, casas de cambio, centros cambiarios (unlicensed foreign exchange centers), savings and loans institutions, money remitters, SOFOMES (multiple purpose corporate entity), SOFOLES (limited purpose corporate entity), and general deposit warehouses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 54 from January to October 2011

Convictions: 13 from January to July 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES

With other governments/jurisdictions: YES

Mexico is a member of the Financial Action Task Force (FATF) and the Financial Action Task Force on Money Laundering in 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_11,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The GOM has taken some important steps to reduce the use of cash in the economy and prevent the laundering of illicit drugs proceeds in U.S. dollars (USD); however, the package of bills submitted in August 2010 to further enhance anti-money laundering regulations remains in limbo in the Mexican Congress. In June 2010, the Finance Ministry implemented regulations imposing limits on USD transactions in Mexico. The caps, which later were eased 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 accountholders located in border or tourist areas, for which transactions are limited. The impact of the restrictions has been dramatic, with USD cash repatriation to the U.S. from the Mexican formal financial sector dropping by 50%, or \$7 billion. The new destination for the USD cash no longer entering the Mexican financial system remains an open question. Recent data does not support the hypothesis that the flows would be redirected to Central America and/or the Caribbean. U.S. and Mexican authorities have agreed to continue studying the flow of U.S. currency.

In 2010, the GOM announced the National Strategy for the Prevention and Elimination of Money Laundering and Financing for Terrorism. On April 14, 2011, the Federal Executive sent to Congress a Bill of Decree by which the Federal Criminal Code and the Federal Criminal Procedures Code are to be amended. The bill includes a modification to the Federal Criminal Code in order to expressly establish that a legal person is liable for any money laundering/terrorist financing crimes, among others, committed by any of its legal representatives acting on its behalf. The bill is currently under review by the Senate. The government also submitted a federal law for the Prevention and Identification of Transactions with Criminal Proceeds, which was approved by the Senate on April 28, 2011, and is currently under review by the Congress. The bill includes, among other important aspects, restrictions on the use of cash in certain transactions (i.e., real estate, jewelry, precious stones and metals, games and lotteries, accounting and legal services).

On August 3, 2011, amendments were issued to the General Law of Auxiliary Credit Organizations and Activities to establish the National Banking and Securities Commission (CNBV) as the supervisory authority for AML/CFT with regard to centros cambiarios, money remitters and non-regulated

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SOFOMES. This authority will be transferred from the Tax Administration System (SAT) to CNBV. The change was made in recognition that the broad experience of CNBV on AML/CFT issues and its risk-based approach to supervision will allow for better oversight of these entities. The amendment provides for a transition period of 240 days. The existing centros cambiarios and money remitters that registered prior to August 4, 2011, or that requested their registration prior to November 1, 2011, may continue with their operations if SAT approves their registration. If the registration is denied, they must suspend their operations. Any new centros cambiarios or money remitters which did not request registration prior to November 1, 2011 are prohibited from initiating operations until receipt of confirmation of registration by SAT. After March 30, 2012, all requests for registration shall be reviewed by CNBV. The general rule establishes that centros cambiarios may only provide the services of buying, selling or exchanging currency, within certain company formation restrictions and with prior authorization from the Ministry of Finance and Public Credit. An exception to the need for prior authorization is established for centros cambiarios that provide the aforementioned services and do not exceed the threshold of \$10,000 per client per day.

In 2011, the GOM also issued a number of AML/CFT regulations covering financial entities; specifically: General Provisions applicable to Auxiliary Credit Organizations (issued on 5/31/11); General Provisions applicable to SOFOLES (issued on 3/17/11); and General Provisions applicable to SOFOMES (issued on 3/17/11). These regulations strengthen reporting requirements and expand the range of entities covered under AML/CFT provisions. The regulations represent concrete steps forward, though until the final passage by the Senate of the 2010 package of anti-money laundering bills Mexico's regulatory framework will remain incomplete.

Mexico should 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 1267 Sanctions Committee.

Micronesia, Federated States of

The Federated States of Micronesia (FSM) is not a regional or offshore financial center. It has no free trade zones. Its geographic isolation, small and relatively poor population, and limited infrastructure make it a low risk for money laundering and terrorist financing as well as smuggled goods. Money laundering activity primarily originates from public corruption, including bribery and misuse of public funds. Corruption extends to directing public contracts and employment to unqualified companies or persons; there are no estimates on the amount of money involved. Since both the executive and legislative branches want to avoid scrutiny, they have not allocated funds for a more robust anti-money laundering/counter-terrorist finance program. Prosecutions are rare.

Both the legislative and executive branches of the government have declined to allocate funds for FSM to join any information sharing organization, which has stymied prosecution of cases with international links. Should legislation authorizing the building of a casino in Pohnpei or the building of a casino and tourist complex in Yap be authorized and implemented, concerns for money laundering would rise.

Local law enforcement suspect some smuggled items, mostly cigarettes, make their way onshore.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO
KYC covered entities: Financial institutions, cash dealers, insurers, bingo parlors, trustees, and money transaction services

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not applicable
STR covered entities: All banks and financial institutions

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None
Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO
With other governments/jurisdictions: NO

The Federated States of Micronesia is not a member of a Financial Action Task Force (FATF)-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Financial Intelligence Unit (FIU) of the National Police receives suspicious transaction reports through the Department of Justice (DOJ). The FIU consists of a single police officer. It has no operational or budgetary independence, and relies entirely on the DOJ for funding and the National Police for staff. The officer has both criminal investigative and regulatory responsibilities. Inadequate police training and lack of resources significantly diminish the investigative abilities of both police and FIU staff. There have been no arrests, prosecutions or convictions for money laundering since the FSM criminalized the offense in 2001. The FSM should give the FIU operational and budgetary independence, and build its overall capacity.

The FSM ratified the UN Convention for the Suppression of the Financing of Terrorism in 2001. However, the country has yet to make terrorist financing, or the commission of terrorist acts, specific crimes. The FSM should make the criminalization of terrorist acts and terrorist financing a priority, and establish an effective implementation mechanism.

Money laundering statutes provide for the seizure of “tainted” property, as well as any benefits derived from the commission of a money laundering offense. However, no property has ever been seized or confiscated under the money laundering statute. There is no civil forfeiture. The FSM should support the investigation of money laundering cases and the seizure and confiscation of assets where appropriate.

Local institutions and personnel lack the training and capacity to fully enforce the law and its attendant regulations. Although legally obligated, only one of the two banks in FSM currently reports STRs.

The FSM should become a party to the UN Convention against Corruption.

Moldova

Moldova is not considered a regional financial center. The Government of Moldova (GOM) monitors money flows throughout the country, but does not exercise control over its breakaway region of Transnistria. Transnistrian authorities do not adhere to GOM financial controls and accepted anti-money laundering norms, and maintain a banking system independent of and not licensed by the National Bank of Moldova. Criminal proceeds laundered in Moldova derive substantially from tax evasion, contraband smuggling, and corruption. Money laundering has occurred in the banking system and in exchange houses, along with offshore financial centers in Transnistria. Fifteen banks constitute the Moldovan financial system. Neither offshore banks nor shell companies are permitted to operate in Moldova. Internet gaming sites do exist, although no statistics are available on the number of sites in operation. Internet gaming comes under the same set of regulations as domestic casinos. Enforcement of the regulations is sporadic.

Moldova contains six free trade zones (FTZs), some of which are infrequently used. Reportedly, goods from abroad are sometimes imported into the FTZ and then resold and exported to other countries with documentation indicating Moldovan origin. Companies operating in FTZs are subject to inspections, controls, and investigations by inspectors from the Customs Service and the Center for Combating Economic Crime and Corruption.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, currency exchange offices, investment funds, investment management companies, deposit companies, fiduciary companies, securities dealers, stock exchange companies, brokers, insurance and reinsurance companies, company formation agents and ownership registries, gaming and lottery organizers and institutions (including Internet casinos), real estate agents, dealers of precious metals or gems, auditors, accountants and financial consultants, investment or fiduciary service providers, lawyers, notaries, and organizations which provide postal and telephone mandate exchange or transfer of resource services

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 215,214 from January to October 2011
Number of CTRs received and time frame: 16,480 from January to October 2011
STR covered entities: Banks, currency exchange offices, investment funds, investment management companies, deposit companies, fiduciary companies, securities dealers, stock exchange companies, brokers, insurance and reinsurance companies, company formation agents and ownership registries, gaming and lottery organizers and institutions (including Internet casinos), real estate agents, dealers of precious metals or gems, auditors, accountants and financial consultants, investment or fiduciary service providers, lawyers, notaries, and organizations that provide postal and telephone mandate exchange or transfer of resource services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Seven from January to October 2011

Convictions: Eight from January to October 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Moldova is a member of the 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/Moldova_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Moldova has made some progress in instituting a legal framework for combating money laundering that is consistent with international standards. However, in November 2010, the Constitutional Court struck down some of the most relevant provisions of the anti-money laundering law. Specifically, the Court invalidated the provisions of the law enabling the Financial Intelligence Unit (FIU) to collect STRs and temporarily freeze accounts suspected of involvement in illegal activity. The GOM reacted by issuing a decision re-establishing the requirement for financial institutions to report STRs to the FIU. In addition, on April 7, 2011, Moldova's parliament enacted amendments to the anti-money laundering law which defines the STR reporting obligations according to international standards, sets an equivalent \$10,000 threshold for reporting cash transactions, provides additional autonomy for the FIU, and regulates the FIU's ability to freeze accounts involved in suspicious transactions. The enactment of the anti-money laundering amendments has had a positive impact on the FIU's institutional development. In addition, the FIU increased its operational capacity by securing electronic access to more governmental databases.

Moldova should continue to review and amend the criminal procedure code to institute non-conviction based confiscation and to permit special investigative techniques to be applied to a wider range of offenses associated with money laundering and terrorist financing. Additionally, the GOM should criminalize tipping off.

Monaco

The Principality of Monaco is the second-smallest country in Europe. It is linked closely to France and is tied to the economic apparatus of the European Union (EU) through its customs union with France and its use of the euro as its official currency. Monaco is known for its security and political stability. Monaco's state budget is based primarily on taxes, duties, and excises which account for 75% of the total income; casino revenues constitute less than 3% of the state budget. Private banking and fund management dominate the financial sector. Monaco's 36 banks and three financial institutions hold more than 300,000 accounts and manage total assets of about 750 billion euros (approximately \$102.8 billion). Non-residents total 46% of the financial institutions' total number of clients, representing 60% of the total assets and deposits, respectively almost 84,000 clients and 45 billion euros (approximately \$57.6 billion). Money laundering charges relate mainly to offenses committed abroad. Reportedly, the Principality does not face ordinary forms of organized crime, nor is there a significant market for smuggled goods.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF

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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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, financial institutions, casinos, trustees and company service providers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 637 in 2010

Number of CTRs received and time frame: Not available

STR covered entities: Banks; insurance companies; stockbrokers; corporate service providers; portfolio managers; some trustees; institutions within the offshore sector; casinos; money remitters; real estate brokers; consultants or advisors in business, legal or tax matters; dealers in precious stones, precious materials, antiquities, fine art and other valuable assets; lawyers; notaries; accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 21 in 2010

Convictions: 14 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Monaco is a member of the 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/Monaco_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Monaco (GOM) should enhance the authority of its financial intelligence unit (FIU) to forward reports and share financial intelligence with law enforcement and foreign FIUs even when the report or information obtained does not relate specifically to drug trafficking, organized crime, or terrorist financing.

The GOM should become a party to the UN Convention against Corruption.

Mongolia

Mongolia is not a regional financial center. There are few financial and economic crimes, although numbers have increased in the last five years. Mongolia is vulnerable to low-grade transnational crime due to the growth in tourism, investment, and remittances from abroad, but the overall rate of these crimes has not increased. The increase in reports of suspicious transactions is more likely a product of the increasing effectiveness and experience of the Bank of Mongolia's Financial Information Unit (FIU).

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Mongolia's limited capacity to monitor its extensive borders with Russia and China is a liability in the fight against smuggling and narcotics trafficking, but drug use and trafficking remain limited and unsophisticated. There is a black market for smuggled goods, which appears largely tied to tax avoidance rather than drug trafficking. There are no indications that international narcotics traffickers exploit the banking system, and no instances of terrorist financing have been reported.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks, non-bank financial institutions, savings and credit cooperatives, insurance companies, securities dealers, foreign exchange units, pawnshops and casinos (though casinos are currently prohibited in Mongolia)

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 56 from January 1 – November 1, 2011
Number of CTRs received and time frame: Over 300,000 from January 1 – November 1, 2011
STR covered entities: Banks

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None
Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES
With other governments/jurisdictions: YES

Mongolia is a member of the Asia/Pacific Group on Money Laundering, 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/Mongolia%20Mutual%20Evaluation%202007%20-%20Final%20.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Bank of Mongolia's FIU expanded international cooperation by signing MOUs with the FIUs of Taiwan, Slovenia and Moldova. The Government of Mongolia (GOM) should strengthen cooperation by implementing a system for the identification and forfeiture of assets, along with arrangements for asset sharing. The GOM should also provide safe harbor protection for individuals and entities filing STRs and cooperating with authorized investigations, while also criminalizing “tipping off” subjects of this reporting.

Although the Parliament passed a law on December 24, 2009, which improved AML/CFT efforts, it failed to bring Mongolia into compliance with international standards, and it is not clear that the GOM has the

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capacity fully to enforce this law. Deficiencies include inadequate criminalization of money laundering and terrorist financing, lack of adequate procedures to identify and freeze terrorist assets, and the absence of a fully operation and effectively functioning financial intelligence unit, among others.

The GOM should work to improve its legal framework by passing amendments to bring its system fully in line with international standards and dedicate the necessary resources to enforce the provisions. While highly professional, the FIU appears under-staffed, and coordination with other law enforcement organizations reportedly remains deficient. The increasing financial flows in advance of an expected mining-driven boom create a distinct challenge to the Mongolian FIU. Although five cases were opened during the year, the lack of a single successful prosecution to date illustrates the enforcement problem.

Montenegro

Since its independence in 2006, Montenegro has struggled to improve its capacity to prevent and address money laundering, along with other aspects of organized crime and corruption. Legislative reforms have put in place a legal infrastructure, however, little action has been taken to proactively investigate and prosecute suspected cases of money laundering, raising concerns about the ability and will of the Government of Montenegro (GOM) to effectively combat this component of crime.

Criminal organizations, including sophisticated international narcotics trafficking enterprises, have a presence in Montenegro, and the country is also part of transit routes used to smuggle narcotics and other contraband. Within Montenegro there exists a significant black market for smuggled items such as stolen cars, narcotics, cigarettes, and counterfeit products. Many of these items are trafficked by organized criminal groups. This criminal activity, and the money laundering and corruption connected to it, is a cause of concern for both the GOM and the international community. Evidence exists that the proceeds of narcotics trafficking and other illegal activities are being laundered through businesses engaged in food service and gambling, along with construction and real estate transactions. Factors that increase Montenegro's vulnerability to and facilitate money laundering are the high use of cash for purchases and Montenegro's use of the euro without being within the Euro Zone.

Investigations by Montenegrin government agencies into organized crime operations and suspicious financial transactions show money moving from and through foreign off-shore financial institutions, including institutions located in the British Virgin Islands, Cyprus, the Seychelles, Panama, and Switzerland. Funds transferred from these institutions are being used to purchase real estate and luxury consumer goods, and to invest in businesses.

Proceeds of criminal enterprises fuel corruption which impacts law enforcement organizations and the judiciary in Montenegro. The origin of funds used to acquire companies or businesses during privatization is often unclear and the transactions lack transparency. In spite of the existence of a legislative framework and several anti-corruption bodies, the overall coordination and implementation of anti-corruption efforts remain insufficient.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, savings banks, savings and loan institutions, loan brokers, and other financial institutions; organizations performing payment, payment or credit card transactions, and post offices; stock brokers and investment and pension fund managers; insurance brokers and companies dealing with life assurance; organizers of lotteries and special games of chance; exchange offices; pawnshops; audit companies, independent auditors and tax advice services; institutions for issuing electronic money; humanitarian, nongovernmental and other non-profit organizations; and those engaged in: sale and purchase of claims; factoring, safekeeping and guaranty; property management; financial leasing; travel organization; real estate trade; motor vehicle, vessel and aircraft trade; credit agencies; and auctioneers and traders of works of art, precious metals and stones, and other high value goods

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 60 from January 1 to September 30, 2011

Number of CTRs received and time frame: 38,563 from January 1 to September 30, 2011

STR covered entities: Banks, savings banks, savings and loan institutions, loan brokers, and other financial institutions; organizations performing payment, payment or credit card transactions, and post offices; stock brokers and investment and pension fund managers; insurance brokers and companies dealing with life assurance; organizers of lotteries and special games of chance; exchange offices; pawnshops; audit companies, independent auditors and tax advice services; institutions for issuing electronic money; humanitarian, nongovernmental and other non-profit organizations; and those engaged in: sale and purchase of claims; factoring, safekeeping and guaranty; property management; financial leasing; travel organization; real estate trade; motor vehicle, vessel and aircraft trade; credit agencies; and auctioneers and traders of works of art, precious metals and stones, and other high value goods

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: One during the first six months of 2011

Convictions: None from January 1 to November 1, 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Montenegro is a member of the 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/Montenegro_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Harmonization of Montenegro's anti-money laundering/counter-terrorist financing (AML/CFT) laws with international standards is still pending completion. However, with Montenegro ready to start the EU negotiation process, added pressure will exist to adopt all the appropriate legislation. The basic legal and institutional framework to deal with ML/TF is in place and cooperation between the financial supervisory authorities and law enforcement has been established; however, the operational and investigative capacities of law enforcement and the judiciary need further enhancement. Police and prosecutors need to improve their collection and management of data and their capacity to investigate financial crimes. Financial investigations in two high-profile cases led to the temporary seizure of assets. Still, the number

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of financial investigations and criminal asset forfeitures remain low. During the first ten months of 2011, the financial intelligence unit (FIU) forwarded 25 suspicious transactions to the law enforcement agencies for further processing, but there were no convictions for ML or TF.

The system for reporting suspicious transactions also needs improvement, although the banking sector improved its STR reporting. The Administration for Prevention of Money Laundering, Montenegro's FIU, lacks sufficient human resources (in spite of the slight increase of resources in 2011), workspace, and IT equipment to deal with its numerous assignments. The FIU is not completely independent from the Ministry of Finance, impeding its ability to investigate all claims of AML. Furthermore, remuneration is generally low in all AML/CFT-related agencies, and the staff turnover and limited technical capacity are hampering their effective functioning.

The framework for international judicial cooperation in ML/TF cases is generally comprehensive. Although the GOM has signed bilateral cooperation agreements with a number of countries, the country needs to strengthen their implementation. During 2011, Montenegro signed bilateral agreements on cooperation in ML/TF exchanges of financial intelligence data with Armenia, British Virgin Islands, Great Britain and Aruba.

In August 2010, the GOM announced that persons with a credible global reputation will be able to obtain Montenegrin citizenship if they directly invest at least 500,000 euros (approximately \$689,100) in Montenegro and its economy. This economic citizenship or citizenship-by-investment program was suspended at the end of 2010 but was never formally overturned.

Although legal and institutional mechanisms to fight corruption were strengthened, the perception of corruption remains widespread, due to the lack of convictions, which potentially affects efforts to combat money laundering. A Joint Investigative Team, consisting of representatives of law enforcement bodies and headed by the Special Prosecutor, was formally re-established on June 18, 2011. A National Commission for implementing the 2010 Strategy for Prevention of Money Laundering and Terrorist Finance has been established, made up of representatives from the relevant institutions. Although it may be argued there is still no clear division of competencies among the different anti-corruption bodies, some efforts were made in the fight against organized crime and enhancing regional cooperation.

Montenegrin authorities do not consider Montenegro to be exposed to terrorism or a haven for terrorist finance. Unlike previous years, the FIU examined two possible cases of terrorist financing involving 26 non-residents and two non-resident business entities. According to the FIU, Montenegrin officials have not recognized the existence of informal systems of financial transfers or alternative remittance systems. In its 2011 progress report, the EU noted the country's capacity to detect actions related to terrorism remained limited.

Montserrat

Montserrat has one of the smallest financial sectors of the Caribbean Overseas Territories of the United Kingdom (UK). The volcanic eruption in 1995 reduced the population and business activity on the island and disrupted the economy, which is still recovering. Less than 5,000 people remain resident on the island. Montserrat's operating budget is largely supplied by the British government and administered through the Department for International Development.

There are few offenses committed in Montserrat that generate substantial profits from crime. The low level of transactions generated in the financial sector suggests that criminal monies are not entering the mainstream economy through 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: All serious crimes
Legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks, securities dealers, money transmission services, company management services, and financial leasing companies

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, securities dealers, money transmission services, company management services, and financial leasing companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES
With other governments/jurisdictions: YES

Montserrat 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.imf.org/external/pubs/ft/scr/2003/cr03371.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Montserrat IBCs, LLCs and LPs, typically used for international business, are required to have a locally licensed company manager as registered agent, or in the case of trusts, a locally licensed trust company, with responsibility for undertaking KYC and monitoring the AML compliance of their clients.

The lack of resources and personnel may reduce the effectiveness of those regulations that are in place. Recent evaluations note the Financial Services Commission is not adequately structured and staffed so as to effectively carry out its functions; there are insufficient human resources; the staff for money laundering investigations also performs other policing functions; and there is a need for additional training in AML/CFT issues for customs officials.

Montserrat is a British Overseas Territory and cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for Montserrat’s international affairs and may arrange for the ratification of any convention to be extended to Montserrat. The 1988 Drug Convention was extended to Montserrat in 1995. The UN Convention against Corruption, 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 Montserrat.

Morocco

Morocco is not a regional financial center but is well integrated into the international financial system. Money laundering is a concern due to Morocco's international narcotics trade, vast informal sector, trafficking in persons, and large level of remittances from Moroccans living abroad. Cash-based transactions in connection with Morocco's substantial trade in cannabis are of particular concern. While some of the narcotics proceeds are laundered in Morocco, most proceeds are thought to be laundered in Europe. Approximately three of ten Moroccans use banks, while credible estimates of Morocco's informal financial sector place it at nearly 15% of GDP. The predominant use of cash, money/value transfer systems (MVTs) and remittances from abroad help fuel Morocco's informal financial sector. In 2010, remittances from Moroccans living abroad were approximately 7% of GDP and drove household consumption by large segments of the population.

Offshore banks are located in the Tangier Free Zone. They are regulated by an interagency commission chaired by the Ministry of Finance. The free trade zone (FTZ) also allows customs exemptions for goods manufactured in the zone for export abroad. Morocco's financial intelligence unit (FIU) reports suspicion of money laundering schemes using the Tanger-Med FTZ.

Criminal activities of particular risk include bulk cash smuggling and unverified reports of trade-based money laundering, including under- and over-invoicing and the purchase of smuggled goods. Most businesses are cash-based with little invoicing or paper trails. Unregulated money exchanges remain a problem in Morocco and were a prime impetus for Morocco's anti-money laundering legislation. Although the legislation targets previously unregulated cash transfers, the country's vast informal sector creates conditions for this practice to continue.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Domestic and offshore banks, finance companies, insurance industry, lawyers, accountants, real estate intermediaries, and gaming operators

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 86 from July 2010 - June 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Domestic and offshore banks, finance companies, insurance industry, lawyers, accountants, real estate intermediaries, and gaming operators

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

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Prosecutions: Six from November 2010 - October 2011

Convictions: One from November 2010 - October 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Morocco 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/TopicList.asp?cType=train>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Overall, the Government of Morocco (GOM) has made considerable progress since the promulgation of the 2007 AML law. Morocco has taken significant action in an effort to address the majority of the deficiencies included in its action plan but is still working to criminalize terrorist financing adequately. Morocco continues to refine and expand its AML/CFT legal framework. In January 2011, Morocco expanded the list of entities required to report suspicious transactions in order to close many of the gaps in existing regulations and bring them into line with international standards. Moroccan authorities should continue to develop regulatory oversight and investigative expertise that targets Morocco's large MVTs sector, especially money remittance networks. Morocco should also work to address trade-based money laundering.

Although not explicitly stated, the FIU considers PEPs, both local and foreign, to be high-risk.

Morocco's FIU more than doubled its staff between the middle of 2010 and the end of 2011 and joined the Egmont Group of FIUs in July 2011. Morocco's ability to enforce its anti-money laundering statutes should improve as the FIU continues to build capacity.

Mozambique

Mozambique is not a regional financial center. Money laundering is believed to be fairly common and is linked principally to customs fraud and narcotics trafficking. Most narcotics are believed to be destined for South African and European markets although consumption is on the rise in Mozambique, mainly of cannabis and mandrax. Mozambique is not a primary transshipment point of drugs to the United States. Local organized crime groups control narcotics trafficking operations in the country, and are thought to involve networks with links to Pakistani and Indian nationals and immigrants. Other common predicate offenses for money laundering include: corruption, human trafficking, car theft, robbery, cash smuggling, illicit trade in precious metals and stones, and general smuggling. Most of the illegal activities have manifestations of organized crime, and are transnational in nature. Authorities believe the proceeds from these illicit activities have helped finance commercial real estate developments, particularly in the capital.

While money laundering in the banking sector is considered to be a serious problem, foreign currency exchange houses, cash couriers, and the hawala remittance system play more significant roles in financial crimes and money laundering. For instance, much of the laundering is believed to be happening behind the scenes at foreign currency exchange houses, and the number of exchange houses operating in Mozambique surpasses the number required for normal business. Black markets for smuggled goods and informal financial services are widespread, dwarfing the formal retail and banking sectors in most parts of the country.

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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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks and credit companies; securities companies and exchanges; debt collectors, leasing and rental companies; gaming facilities; capital/asset management concerns; payment and currency exchange operators; insurance brokers; and overseas subsidiaries or branches of Mozambican financial institutions

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks and credit companies; securities companies and exchanges; debt collectors, leasing and rental companies; gaming facilities; capital/asset management concerns; payment and currency exchange operators; insurance brokers; and overseas subsidiaries or branches of Mozambican financial institutions

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** NO

With other governments/jurisdictions: YES

Mozambique 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/Mozambique_Mutual_Evaluation_Detail_Report\(5\).pdf](http://www.esaamlg.org/userfiles/Mozambique_Mutual_Evaluation_Detail_Report(5).pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Limited resources and high levels of corruption hamper the Government of Mozambique’s (GOM) ability to fight money laundering and terrorism financing. Local institutions, including police, customs, and judicial authorities, lack the funding, training, and personnel necessary to investigate money laundering activities and enforce the law.

Drug trafficking and related money laundering are serious issues in Mozambique. The Financial Intelligence Office (FIO) was established in 2007, but only hired its initial staff in 2010. It was not clear if the FIO was operational in 2011. In 2011, the Central Office to Combat Corruption opened new offices and added additional staff.

Authorities acknowledge that alternative remittance systems are common in Mozambique. Many operate in exchange houses that, on paper, are heavily regulated but in fact can easily avoid reporting

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requirements. New foreign currency regulations adopted in 2011, aimed in part at restricting transactions at these foreign exchange houses, are intended to reduce money laundering by requiring customers with foreign currency accounts at local banks to change that foreign currency into meticals, the local currency, rather than receiving foreign currency for domestic use.

In September 2011, the GOM completed its investigation of prominent businessman, Mohamed Bachir Suleman, who was placed on the Department of Treasury's Drug Kingpin list in 2010. While the GOM found insufficient evidence of drug trafficking, it found extensive tax, customs and foreign exchange violations, and commenced administrative action against him for payment of back taxes and fines.

Namibia

Namibia is not a regional financial center, although it has one of the most highly developed financial systems in Africa. Sources of potential money laundering in Namibia are related to both regional and domestic criminal activities. Falsification or misuse of identity documents, customs violations, trafficking of precious metals and gems, trafficking in illegal drugs, and stolen vehicles - mostly from South Africa - are regional problems that affect Namibia. Organized crime groups involved in smuggling activities generally use Namibia as a transit point, particularly for goods destined for Angola. Domestically, real estate as well as minerals and gems are suspected to be used as vehicles for money laundering. Namibian authorities believe the proceeds of these activities are laundered through Namibian financial institutions, but on a small scale. The organized fencing of stolen goods, not just vehicles, is also a problem in Namibia. The Namibian government has set up Export Processing 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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, microfinance entities, pension funds, asset managers and trust companies, casinos and gaming institutions, exchange houses, stock brokerages, cash couriers, casinos, dealers in jewels and precious metals, insurance companies, pawn shops, realtors, dealers in high-value art and vehicles, auctioneers to include livestock and real estate, lawyers, accountants and notaries

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 297 from May 2009 to November 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, microfinance entities, pension funds, asset managers and trust companies, exchange houses, stock brokerages, cash couriers, casinos, dealers in jewels and precious metals, insurance companies, pawn shops, realtors, dealers in high-value art and vehicles; auctioneers to include livestock and real estate, lawyers, accountants and notaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Namibia 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/Namibia_detailed_report.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Namibia is revising its anti-money laundering (AML) framework to change from a rules-based to a risk-based approach. In certain subsectors regulatory bodies cannot impose sanctions, such as the withdrawal of licenses, for those entities that are not complying with Namibia's AML framework. There are separate draft bills to cover gambling and estate agents that would augment the powers of regulatory authorities to monitor and enforce Namibia's AML framework.

Four arrests were made for money laundering, but prosecution is still pending. The Office of the Prosecutor General has successfully applied for ten Preservation/Provisional Forfeiture orders, pending the criminal litigation. No asset forfeitures have taken place.

Although enhanced due diligence requirements for PEPs are not specified by law, the Financial Intelligence Center has issued guidance to accountable institutions instructing them to conduct enhanced due diligence on high-risk clients, which includes PEPs.

Namibia has not reached a bilateral agreement with United States authorities on a mechanism for exchange of records in criminal matters. However, Namibia has made substantial efforts to cooperate with the United States in the area of law enforcement, especially in the area of extradition, and has provided four intelligence reports to its U.S. counterparts. Namibia has cooperative agreements with countries in the Southern African Development Community.

Namibia should continue to implement its AML laws and should pass the pending anti-terrorism bill. As part of the implementation process, the Government of Namibia (GON) should ensure sufficient resources and training are provided to supervisory, analytical, investigative, prosecutorial and judicial entities with responsibilities under the laws. Namibia should establish and implement procedures to freeze terrorist assets. The GON also should take steps to ensure a fully operational and effectively functioning financial intelligence unit (FIU), in particular addressing the operational autonomy of the FIU. Cross-border currency reporting should be implemented and further measures taken to enforce Namibia's porous borders. The GON should become a party to the UN Convention for the Suppression of the Financing of Terrorism.

Nauru

Nauru is a small Central Pacific island nation with a population of approximately 10,000. A member of the British Commonwealth, Nauru is an independent republic but uses Australian currency. Nauru is an established "zero" tax haven, as it does not levy any income, corporate, capital gains, real estate, inheritance, estate, gift, sales, or stamp taxes. Only a 7% value added tax on all goods and an airport departure tax imposed on all departing passengers are in place. There are no commercial banks on Nauru. Nauru's loose legal, supervisory, and regulatory framework has provided significant money laundering

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opportunities for offshore syndicates in the past decade. There is no known domestic criminal activity in Nauru that generates laundered funds.

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 available

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Not available

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: None in 2011

Number of CTRs received and time frame: None in 2011

STR covered entities: Banks and non-bank financial institutions, money remitters, securities and investment businesses, insurance, real estate agents, dealers in precious metals and stones, trust or company service providers, and legal entities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None in 2011

Convictions: None in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* NO

With other governments/jurisdictions: NO

Nauru is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. The APG is undertaking a mutual evaluation on Nauru and completed an on-site review in early November 2011. Once finalized, the mutual evaluation report may be found here: <http://www.apgml.org/documents/default.aspx?DocumentCategoryID=17>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In line with its National Sustainable Development Strategy 2005–2025, the government has undertaken some major initiatives. These include enacting and enforcing legislation to abolish offshore banks used for money laundering by criminal syndicates.

In 2011, the Government of Nauru (GON) began work on a new Crimes Act which is expected to be completed by 2013. The Crimes Act will cover money laundering and corruption crimes. Concurrently, the GON's interagency working group that makes recommendations to the cabinet on international agreements and obligations has prioritized the ratification of UN conventions. Recommendations to the cabinet are expected to be submitted in 2012 concerning the UN Convention against Corruption and the 1988 UN Drug Convention. Nauru also should become a party to the UN Convention against Transnational Organized Crime.

Nepal

Nepal is not a regional financial center. Government corruption, poorly regulated trade, weak financial sector regulation, and a large informal economy make the country vulnerable to money laundering and terrorist financing. The major sources of laundered proceeds stem from tax evasion, corruption, counterfeit currency, smuggling, and invoice manipulation. Nepal has a large, unregulated, informal remittance system, which is also vulnerable to money laundering and terrorist finance.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, securities agents, insurance agents, casinos, money remitters and changers, cooperatives, some government agencies, lawyers and notaries, auditors, trust and company service providers, and high value metals and stone traders

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Over 200 from January to October 2011

Number of CTRs received and time frame: Over one million from January to October 2011

STR covered entities: Banks, securities agents, insurance agents, casinos, money remitters and changers, cooperatives, some government agencies, lawyers and notaries, real estate brokers, auditors, and high value metals and stone traders

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Three from January to October 2011

Convictions: Two from January to October 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO

With other governments/jurisdictions: YES

Nepal 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/NEPAL%20ME2.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Nepal has taken several steps to bring its laws into compliance with international standards, including amending its AML/CFT laws to improve enforcement. Nepal has developed an action plan to address strategic deficiencies, including adequately criminalizing money laundering and terrorist financing; implementing adequate procedures to identify and freeze terrorist assets and confiscate money laundering

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assets; implementing appropriate mutual legal assistance legislation; and improving the FIU and suspicious transaction reporting obligations. However, lack of resources and enforcement capacity continue to present significant anti-money laundering/counter-terrorist financing challenges, as does low awareness of reporting requirements and procedures.

On May 24, 2011, Parliament endorsed the Anti-Money Laundering Act (First Amendment), which incorporates major amendments in the Asset (Money) Laundering Prevention Act, as per the international AML commitments made by the government of Nepal. However, the 2011 amendments still have broad deficiencies in the criminalization of money laundering, including the coverage of predicate and ancillary offenses. The Government of Nepal lacks human resource expertise and skills in the responsible agencies, particularly in investigation techniques. Nepal also lacks a comprehensive anti-terrorism law, complicating enforcement efforts.

Coordination among the key government agencies is weak. The Department of Revenue Investigation was responsible for money laundering enforcement, but pursuant to the recent AML amendment, in June 2011 Nepal created a separate AML Investigation Department under the Ministry of Finance to handle money laundering cases. The effectiveness of the newly established department cannot yet be determined.

FIU officials have identified under- and over-invoicing as a major money laundering challenge, and the recent discovery of a value added tax (VAT) scam highlights the widespread problem of tax evasion and money laundering. The FIU is in the process of developing an e-reporting system to help improve data collection, but the system will not be functional for another one to two years. Nepal's overall data management system remains outdated, but improvements are being made, especially in tax collection. Nepal should ensure disclosure protection provisions and requirements to maintain records over time are part of new regulations.

Despite these challenges, Nepal has taken a number of steps to bring its legislation into compliance with international standards, such as passing the national strategy on AML/CFT and amending the AML/CFT law to include enhanced enforcement provisions. On March 31, 2011, Nepal became a party to the UN Convention against Corruption. On December 23, 2011, Nepal became party to the UN Convention for the Suppression of the Financing of Terrorism and to the UN Convention against Transnational Organized Crime.

The FIU seeks greater cooperation with other countries, especially in information sharing, and has applied for membership in the Egmont Group. The FIU has signed memoranda of understanding with Bangladesh, Malaysia, Mongolia, Sri Lanka, and Thailand.

Netherlands

The Netherlands is a major financial center and consequently an attractive venue for laundering funds generated from illicit activities, including activities 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. There are a few indications of syndicate-type structures in organized crime or money laundering, but there is virtually no black market for smuggled goods in the Netherlands. 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.

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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.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, credit institutions, securities and investment institutions, providers of money transaction services, life insurers and insurance brokers, credit card companies, casinos, traders in high-value goods, other traders, accountants, lawyers and independent legal consultants, business economic consultants, tax consultants, real estate brokers, estate agents, civil-law notaries, trust and asset administrative companies

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 117,000 in 2010

Number of CTRs received and time frame: 66,000 in 2010

STR covered entities: Banks, credit institutions, securities and investment institutions, providers of money transaction services, life insurers and insurance brokers, credit card companies, casinos, traders in high-value goods, other traders, accountants, lawyers and independent legal consultants, business economic consultants, tax consultants, real estate brokers, estate agents, civil-law notaries, trust and asset administrative companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1,300 in 2010

Convictions: 812 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

The Netherlands 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/50/0,3746,en_32250379_32236963_47221490_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

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supervision of notaries, lawyers, and accountants. Similar deficiencies were seen during the more recent mutual evaluation of the Netherlands. The ministries agreed in large part with these conclusions and have taken steps to address them, including hiring financial crime experts in law enforcement and introducing new laws to strengthen the ability of law enforcement to tackle money laundering.

The Netherlands has established an “unusual transaction” reporting system. Designated entities are required to file unusual transaction reports (UTRs) with the 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 STR. Draft legislation is pending to strengthen the reporting regime and enact stronger KYC rules.

In response to criticisms concerning the operational independence and effectiveness of the Dutch financial intelligence unit (FIU), a discussion on how to ensure FIU operational independence is underway. The FIU is currently part of the police, which itself is undergoing reforms.

In September 2011 the Dutch parliament passed a bill modernizing the supervision of notaries. Comprehensive supervision will be conducted by an independent supervisory body with investigative powers, with the use of confidential information about clients strictly limited to action against notaries. A similar legislative proposal is being prepared concerning the supervision of lawyers and is expected to be introduced in parliament in 2012.

The United States enjoys strong cooperation with the Netherlands in fighting international crime, including money laundering. One provision included in the U.S.-EU mutual legal assistance agreement, which the Netherlands has ratified, will facilitate the exchange of information on bank accounts. The Dutch Ministry of Security and Justice and the National Police work together with U.S. law enforcement authorities in the Netherlands on operational money laundering initiatives.

Due to legal and political changes, asset seizure has become a priority in money laundering cases. The assignment of dedicated money laundering prosecutors is bringing change to historically low asset seizure rates. A Steering Committee has been created to discuss and assign cases to the appropriate investigative unit. To further increase the confiscation of criminal assets, the Dutch Minister of Security and Justice introduced a new law including confiscation as a standard procedure of any money-driven criminal case, aimed at increasing law enforcement agencies’ capacity to take such action.

A Rotterdam Court sentenced seven people in February 2011 for involvement in international drug trafficking and money laundering. The main suspect was sentenced to three years and nine months, and €4.5 million (approximately \$5.927 million) cash was forfeited. The convicted group had direct connections with Colombian drug cartels. In April 2011, a court in The Hague sentenced a Dutch man to six years and four months for money laundering, blackmailing, violent robbery, and other serious crimes. Eleven other people in the same case received sentences of from 30 months to five years.

New Zealand

New Zealand is not a major regional or offshore financial center. Money laundering cases are infrequent in New Zealand. However, authorities note that it is difficult to estimate the extent of money laundering activities, since every serious crime that generates proceeds could lead to a money laundering offense.

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Money laundering generally occurs through the financial system, but the purchase of real estate and other high value assets as well as the use of foreign exchange dealers have become increasingly popular methods of laundering money. Narcotics proceeds (mostly from methamphetamine and cannabis sales) and fraud-associated activity (primarily Internet-banking fraud) are the primary sources of illicit funds. International organized criminal elements, mostly from Asia, are known to operate in New Zealand, but not to a wide extent. New Zealand is a low threat environment for terrorist finance.

New Zealand has a small number of casinos, which operate gaming machines and a variety of table games.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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: Combined approach
Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, exchange offices, and money service businesses; credit card companies; mortgage lenders; casinos; securities brokers/dealers; safekeeping providers; asset and individual or collective portfolio managers; and, life insurance or other investment related insurance

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 4,357 in 2010
Number of CTRs received and time frame: Not available
STR covered entities: Banks, exchange offices, and money service businesses; credit card companies; mortgage lenders; casinos; securities brokers/dealers; safekeeping providers; asset and individual or collective portfolio managers; and, life insurance or other investment related insurance

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 156 in 2009
Convictions: 55 in 2009

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

New Zealand 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/document/28/0,3746,en_32250379_32236963_43998044_1_1_1_1,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Money Laundering and Financial Crimes

The Government of New Zealand (GONZ) is actively taking measures to comply with international standards and strengthening its ability to detect and deter money laundering and terrorist financing. New Zealand's Anti-Money Laundering/Counter-Terrorist Financing Act of 2009 sets reporting requirements for financial service providers and casinos and establishes a risk-based approach to tracking potential money laundering and terrorism financing activities. However, while the Act is in force, the Ministry of Justice is still finalizing regulations, and enforcement will not begin until 2013, in part to give covered entities more time to accommodate the changes. The New Zealand FIU anticipates an increase in reporting in 2014, and has hired additional personnel to manage the workload.

The GONZ is considering proposed amendments to the Companies Act, which will address the vulnerabilities created by foreign-owned shell companies.

New Zealand and the United States do not require a bilateral mutual legal assistance treaty (MLAT) to enter into a mutual assistance relationship. The United States has been designated as a "prescribed foreign country" in New Zealand's Mutual Assistance in Criminal Matters Act 1992, enabling New Zealand to process requests for assistance from the United States on a reciprocal basis. In practice, New Zealand and U.S. authorities have a good record of cooperation and information sharing in this area. New Zealand regularly cooperates in international money laundering and terrorist financing initiatives and investigations.

Nicaragua

The Republic of Nicaragua is not considered a regional financial center. It continues to be a strategic transshipment route for South American cocaine and heroin destined for the United States and cash returning to South America. Because of these activities, Nicaragua's financial system is highly vulnerable to money laundering. Money laundering is primarily related to proceeds from illegal narcotics and political corruption. Reportedly, the narcotics trade is increasingly linked to arms trafficking.

Nicaragua's geography—with access to both the Atlantic and Pacific Oceans, large inland lakes, porous border crossings, and sparsely populated and underdeveloped Atlantic Coast region—makes it an ideal haven for transnational organized crime groups, including human and drug trafficking organizations. The Central America Four Agreement among 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. Consequently, the agreement represents a vulnerability to each country for the cross-border movement of contraband and illicit proceeds of crime.

As of March 2011, a total of 148 companies operated in 34 designated free trade zones (FTZs). The National Free Trade Zone Commission (CNZF), a government agency, regulates all FTZs and the companies operating in them. The Nicaraguan Customs Agency monitors all FTZ imports and exports. It is suspected that money laundering occurs via traditional mechanisms such as legal businesses; however, some evidence exists of informal "cash and carry" networks for delivering remittances from abroad that may be indicative of money laundering. There have been no convictions for money laundering in either 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:

Money Laundering and Financial Crimes

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

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, credit unions, financial companies, credit institutions, stock exchange systems, insurance companies, savings and loan cooperatives, brokerage firms, money exchangers, casinos, non-profit organizations, and pawn shops

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 368 in 2010

Number of CTRs received and time frame: Not available

STR covered entities: Banks, credit unions, financial companies, credit institutions, stock exchange systems, savings and loan cooperatives, brokerage firms, money exchangers, casinos, non-profit organizations, and pawn shops

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 17 in 2011

Convictions: Three in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Nicaragua 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/Nicaragua_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Nicaragua_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Statutes enacted to criminalize money laundering and terrorist financing lack sufficient implementation due to weak enforcement mechanisms and a corrupt judicial system. There have been cases when money laundering/drug trafficking sentences were reduced or dismissed by appellate judges under suspicious circumstances. Further, legislation against organized crime has many enforcement deficiencies that should be improved by the Nicaraguan National Assembly.

While the law grants the Financial Analysis Committee (CAF) the ability to monitor other financial institutions, the CAF does not have the resources or the power to enforce regulations.

Niger

Niger is not a regional financial center, and its banking sector is rudimentary. It is a member of the Central Bank of West African States (BCEAO), and shares its central bank and currency with other countries in the region. High transaction costs deter businesses from placing large amounts of cash in the banking system. Most economic activity takes place in the informal financial sector.

Money laundering and financial crimes are commonplace in Niger. The country is primarily a transit country for funds related to the trafficking of narcotics and other forms of contraband. Niger is one of the poorest and least developed countries in the world and is not a significant source of criminal proceeds. Since 2008, kidnapping for ransom has become a preferred fundraising method for terrorist groups.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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 ***civily:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Public Treasury and State Savings Deposit institutions; BCEAO; banks, microfinance institutions, and money exchanges; insurance companies and brokers; securities exchanges or brokers; post office; mutual funds and fixed capital investment companies; lawyers; asset or fund custodians; management and intermediation firms; business brokers for financial entities, auditors, and real estate agents; sellers of valuable items such as fine arts or precious stones; funds carriers; owners or managers of casinos; travel agencies; and NGOs

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: One in 2010

Number of CTRs received and time frame: None

STR covered entities: Public Treasury and State Savings Deposit institutions; BCEAO; banks, microfinance institutions, and money exchanges; insurance companies and brokers; securities exchanges or brokers; post office; mutual funds and fixed capital investment companies; lawyers; asset or fund custodians; management and intermediation firms; business brokers for financial entities, auditors, and real estate agents; sellers of valuable items such as fine arts or precious stones; fund carriers; owners or managers of casinos; travel agencies; and NGOs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two in 2007

Convictions: One in 2008

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO

With other governments/jurisdictions: YES

Niger is a member of the Inter Governmental 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 at: <http://www.giaba.org/index.php?type=c&id=48&mod=2&men=3>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Niger's money laundering and terrorist financing laws are not in full compliance with international standards. Although addressed in the AML/CFT laws, customer due diligence procedures for designated non-financial businesses and professions have not been implemented.

Money Laundering and Financial Crimes

Niger participates in international law enforcement cooperation, mutual legal assistance, and asset sharing groups within the region.

The National Center for the Treatment of Financial Information (CENTIF) is Niger's FIU. Only two of the eight reports of suspicious activities received since CENTIF's 2004 creation resulted in legal action, leading to one conviction. CENTIF has suffered numerous setbacks, including a fire in 2010. It has had to move locations twice and is still in rented quarters. Since October 2011, under the transition government of President Salou Djibo, CENTIF has been headed by a new director who plans to reshape the organization, including by building capacity and securing Government of Niger funding for an appropriate building.

In July 2011, former President Issoufou named an eight-member High Authority to Combat Corruption that will work closely with CENTIF to investigate suspicious activities. In August, the Ministry of Justice installed an anti-corruption hotline.

Nigeria

Nigeria remains a major drug trans-shipment point and a significant center for criminal financial activity. Individuals and criminal and terrorist 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. Drug traffickers reportedly also use Nigerian financial institutions for currency transactions involving U.S. dollars derived from illicit drugs.

Proceeds from drug trafficking, illegal oil bunkering, bribery and embezzlement, contraband smuggling, theft, 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 adeptly devise ways to subvert international and domestic law enforcement efforts and evade detection.

Nigeria's AML/CFT progress in 2011 relative to its action plan was not considered sufficient by the Financial Action Task Force (FATF), which highlighted Nigeria's lack of adequate progress by adding Nigeria to its October 2011 Public Statement.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, investment and securities dealers/brokers, and discount houses; insurance institutions; debt factorization and conversion firms, bureau de change, and finance companies; money brokerage firms whose principal business includes factoring, project financing, equipment leasing, debt administration, fund management, private ledger service, investment management, local purchase order financing, export finance, project consultancy, financial consultancy, or pension funds management; dealers in jewelry, cars and luxury goods; chartered accountants, audit firms, and tax consultants; clearing and settlement companies and legal practitioners; hotels, casinos, and supermarkets

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 2,306 from October 1, 2010 – September 30, 2011

Number of CTRs received and time frame: 11,580,836 from October 1, 2010 – September 30, 2011

STR covered entities: Banks, investment and securities dealers/brokers, and discount houses; insurance institutions; debt factorization and conversion firms, bureau de change, and finance companies; money brokerage firms whose principal business includes factoring, project financing, equipment leasing, debt administration, fund management, private ledger service, investment management, local purchase order financing, export finance, project consultancy, financial consultancy, or pension funds management; dealers in jewelry, cars and luxury goods; chartered accountants, audit firms, and tax consultants; clearing and settlement companies and legal practitioners; hotels, casinos, and supermarkets

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 639 from October 1, 2010 – September 30, 2011

Convictions: 73 from October 1, 2010 – September 30, 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdiction: YES

Nigeria is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a 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:

Nigerian authorities should work toward full implementation of a regime capable of thwarting money laundering and terrorist financing. In 2011, Nigeria enacted a new Money Laundering (Prohibition) Act (MLPA), which introduces the concept of corporate criminal liability (“offenses of a body corporate”), and a new Terrorism (Prevention) Act (TPA), which includes some new provisions on terrorist financing and the freezing and seizure of assets. The Government of Nigeria (GON) should ensure its anti-money laundering legislation comports with international standards and covers all the recommended predicate offenses, including terrorist financing. Currently, terrorist financing is not listed as a predicate offense for money laundering. The new TPA represents progress toward criminalizing terrorist financing, but it may not do so consistent with international standards. The GON should amend the law as needed to bring it into compliance.

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Weak law enforcement and justice sector issues have hindered the progress of and thwarted many prosecutions and investigations. The GON should ensure the autonomy and independence of the Economic and Financial Crimes Commission (EFCC) and the Nigerian Financial Intelligence Unit (NFIU) from political pressures. The GON also should strengthen its supervision of designated non-financial businesses and professions. Moreover, the GON should ensure the range of agencies that pursue money laundering cases, including the EFCC, Nigerian Drug Law Enforcement Agency, Independent Corrupt Practices and Other Related Offences Commission, Nigerian Agency for the Prevention of Trafficking in Persons, and National Police Force have the capacity to function as investigative partners in financial crimes cases, as well as work to eradicate any corruption existing within law enforcement bodies. The National Assembly should amend the 2011 MLPA to provide for increased autonomy of the NFIU and adopt safe harbor provisions to protect STR reporting entities. The GON should consider developing a cadre of specially trained judges with dedicated portfolios in order to handle financial crime cases effectively, and the National Assembly also should adopt a non-conviction based asset forfeiture bill.

Niue

Niue is not a regional financial center and has no free trade zones. Niue is a self-governing democracy, operating in free association with New Zealand. The Government of Niue (GON) relies heavily on New Zealand to assist with external and economic affairs. The country has experienced a significant decline in population, largely from the emigration of its population to New Zealand.

In recent years Niue has tightened its legislation and formed a financial intelligence unit (FIU) to comply with international standards against money laundering and terrorist financing.

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 ***civily:*** Not available

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Financial institutions; safe deposit box, trust and company service providers, and individual funds trustees; insurers and insurance intermediaries; securities dealers, futures brokers, money exchangers and remitters; issuers, sellers, or redeemers of travelers checks, money orders, or similar instruments; payroll and payroll funds delivery businesses; dealers in precious metals and stones; real estate agents; casinos and gambling houses (including internet gaming); lawyers, notaries, and accountants engaged in real estate, client financial management, and the creation, operation and management of companies; and legal persons and arrangements

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: None

Number of CTRs received and time frame: One in 2011

STR covered entities: Financial institutions; safe deposit box, trust and company service providers, and individual funds trustees; insurers and insurance intermediaries; securities dealers, futures brokers, money exchangers and remitters; issuers, sellers, or redeemers of travelers checks, money

Money Laundering and Financial Crimes

orders, or similar instruments; payroll and payroll funds delivery businesses; dealers in precious metals and stones; real estate agents; casinos and gambling houses (including internet gaming); lawyers, notaries, and accountants engaged in real estate, client financial management, and the creation, operation and management of companies; and legal persons and arrangements

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO

With other governments/jurisdictions: YES

Niue is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. A copy of its most recent evaluation is not available. The next mutual evaluation is scheduled for late 2011.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Niue FIU exchanges financial intelligence related to money laundering and financing of terrorism with the New Zealand FIU. The Niue Crown Law office reports it has received a small number of cash transaction reports. However, it is not apparent that any prosecutions or asset seizures have occurred under its anti-money laundering/counter-terrorist financing (AML/CFT) legislation.

Niue is not a member of the United Nations. It generally complies with international AML/CFT standards, and AML/CFT legislation includes the 2004 United Nations Sanctions Regulations (Terrorism Suppression and Afghanistan Measures).

Norway

Although it is a high income country, Norway is not considered a regional financial center. Norway's significance in terms of money laundering is low. There are illicit proceeds related to narcotics sales and production, prostitution, robberies, smuggling, and white collar crimes like embezzlement, tax evasion and fraud. Criminal proceeds laundered in the jurisdiction derive primarily from domestic criminal activity, often by foreign criminal gangs or guest workers who in turn remit the proceeds home.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

Money Laundering and Financial Crimes

KYC covered entities: Banks, the Central Bank, finance companies, e-money institutions, pension funds, postal operators, auditors, asset managers, securities dealers, credit agents, money exchangers, insurance companies, accountants, lawyers, notaries, auction houses, realtors, money transporters, holding houses, and dealers in autos and high value goods

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 6,660 in 2010

Number of CTRs received and time frame: 3,734 in 2010

STR covered entities: Banks, the Central Bank, finance companies, e-money institutions, pension funds, postal operators, auditors, asset managers, securities dealers, credit agents, money exchangers, insurance companies, accountants, lawyers, notaries, auction houses, realtors, money transporters, holding houses, and dealers in autos and high value goods

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Norway is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/61/55/35535328.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Norwegian financial intelligence unit (FIU) voices some concern over the low number and poor quality of reports from certain entities covered by the reporting obligation. Banks, auditors, insurance companies and payment transfer entities maintain high levels of reporting, while reports from other industries, such as dealers in cars and other expensive items, are few and decreasing. Reporting from attorneys is up, but is low compared to the high number of transactions conducted by this sector. Given the overall transaction volume, the FIU suspects considerable underreporting in these sectors. The FIU is attempting to improve the quality of STR reporting by providing specific guidance and follow up to obligated entities. In 2010, the FIU reported 122 incidents to the National Police Intelligence System and submitted 23 formal complaints and reports to be used in criminal cases. Although aggregate data is not available, the number of money laundering prosecutions and convictions is believed to be low given the size of the Norwegian economy.

In addition to Norway's large currency transaction reporting requirement a purpose declaration is required for currency transactions over NOK 100,000 (approximately \$17,900).

Norwegian police agencies share responsibility for identifying, tracing, freezing, seizing, and forfeiting narcotics and terrorist financing related assets. As a general rule, the police may seize direct proceeds from criminal acts. Norwegian law also allows for seizing instruments of crime, but a relationship to the crime must be proven. Norwegian law allows both criminal and civil forfeiture.

Oman

Oman is not a regional or offshore financial center and does not have significant money laundering or terrorist financing concerns. Due to its location on the tip of the Strait of Hormuz, Oman is home to a

Money Laundering and Financial Crimes

small number of smugglers operating between Musandam, the northern-most exclave of Oman, and Iran. Omani authorities are aware that growing Iranian overtures toward Oman for increased trade and engagement may create conditions for AML/CFT concerns. Trade is generally financed in small amounts of cash and features mainly consumer goods. There is no indication this activity is tied to terrorist financing. There is also a small amount of narcotics trafficking in Oman, although the government is proactive in tracking and prosecuting drug traffickers. Sources of illegal proceeds are generally small and derived from smuggling or drug trafficking activities. Smugglers are generally Iranian while drugs are trafficked by Omani citizens. Oman-based hawaladars that have been involved with illicit transfers for terrorist financing purposes have been closed down by Omani authorities. Corruption, primarily in the form of cronyism or insider operations, remains a concern.

Money laundering is centered in the formal financial system, rather than in the port free zones or informal sector. In 2011 the Central Bank of Oman licensed Islamic Banking. There is no offshore financial center in Oman.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks; foreign exchange companies; investment and credit companies; insurance companies; companies and individuals providing financial services; stock and securities brokers; real estate brokers; dealers in precious metals and stones; notary publics; lawyers and accountants

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks; foreign exchange companies; investment and credit companies; insurance companies; companies and individuals providing financial services; stock and securities brokers; real estate brokers; dealers in precious metals and stones; notary publics; lawyers and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO
With other governments/jurisdictions: YES

Money Laundering and Financial Crimes

Oman 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>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Oman (GOO) has been improving its AML/CFT regime, beginning with a 2010 overhaul of its legislation. To implement the 2010 law, Oman has retooled its legal, regulatory and enforcement mechanisms. In response to corruption issues, the government empowered the State Audit office with greater investigatory power.

Currently Oman's financial intelligence unit (FIU), located within the Royal Oman Police, receives few STRs from non-bank entities. In practice, about 95% of STRs are received from banks, mostly foreign. The FIU does not have access to daily transaction flows via the Central Bank database. The FIU recognizes its lack of capacity in forensic analysis, compromising its ability to analyze financial data and seriously pursue AML cases. The Omani government openly discusses its AML/CFT enforcement efforts, although it does not publish information regarding suspicious transactions and criminal prosecutions. The Financial Investigations Unit in the Royal Oman Police is the responsible entity for enforcing AML/CFT laws and regulations, and law enforcement authorities generally respond to requests for assistance from foreign counterparts.

Under the 2010 AML/CFT law, Oman introduced a declaration system for bulk cash, bearer negotiable financial instruments, and precious metals and stones, requiring all amounts over OMR 6,000 (approximately \$15,600) or its equivalent to be declared to the authorities. However, Omani authorities, from the FIU to law enforcement, have no central database; more than 70 databases currently receive and analyze different data sets with no connectivity.

Oman issued Royal Decree 104/2011 on October 23, 2011 ratifying the International Convention for the Suppression of the Financing of Terrorism; Oman became a party to this convention on November 10, 2011.

To enhance their operational capabilities, the Omani authorities should hasten efforts to finalize steps aimed at empowering the FIU and law enforcement authorities. These authorities should undertake training to improve analytical and investigatory capacity. The FIU should perform outreach to non-bank financial institutions to improve reporting from the non-bank sectors. It is critical that the GOO enhance and integrate its databases to ensure access by the Omani interagency authorities to the information stored in them. The GOO also should require enhanced due diligence procedures for politically exposed persons, and collect and publish statistics indicating numbers of STRs, prosecutions, investigations and convictions in line with international standards. The GOO should ratify the UN Convention against Corruption.

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, money exchange companies, hawala/hundi, and bulk cash smuggling are common methods used to launder money 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

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facilitates the flow of smuggled goods to and from the Federally Administered Tribal Areas and Baluchistan.

Money laundering often occurs in Pakistan in both the formal and informal systems. Fraudulent invoicing is typical in hawala/hundi counter-valuation schemes. Legitimate remittances from Pakistani expatriates residing abroad flow through the formal banking sector, licensed money exchange businesses, and hawalas. Since the start of the calendar year through October remittances totaled \$14 billion, and since March have averaged roughly \$1 billion per month. The authorities do not provide an estimate of remittances that flowed through informal channels.

Pakistan was first publicly identified by the Financial Action Task Force (FATF) in February 2008 for deficiencies in its anti-money laundering/counter terrorist financing (AML/CFT) regime. While Pakistan has taken some steps to improve its AML regime, the FATF continues to note Pakistan's failure to adequately implement its action plan and correct AML/CFT deficiencies, particularly its terrorism finance law.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, agricultural credit institutions, money exchangers, accountants, notaries, gaming centers, auto dealers and securities dealers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 535 from July 2010 to May 31, 2011
Number of CTRs received and time frame: 138 from January 2009 through December 2010
STR covered entities: Banks, agricultural credit institutions, money exchangers, notaries, gaming centers, and securities dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Four from January 2009 to October 2010
Convictions: None in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** NO
With other governments/jurisdictions: YES

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://www.apgml.org/documents/docs/17/Pakistan%20MER%20-%20final%20version.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

To gain more oversight of the informal money transfer sector, the State Bank of Pakistan (SBP) requires all money exchange companies to obtain licenses and meet minimum capital requirements. As a result, it is illegal for money exchange companies, referred to as hawala/hundi, to operate without a license; however, few hawalas have been registered by the authorities, and unlicensed hawaladars continue to operate illegally throughout Pakistan (particularly in Peshawar and Karachi). While the SBP has implemented the licensing of all money exchange companies and hawalas, the enforcement environment is not commensurate with SBP's regulations. Shortcomings in the enforcement of the regulations, particularly in the movement of cash, makes Pakistan's informal financial sector consistently vulnerable to abuse by illicit actors.

Pakistan continues to have serious deficiencies in its AML regime. To address these it must: remove remaining inadequacies with regard to the criminalization of money laundering; demonstrate effective regulation of money service providers, including an appropriate sanctions regime and increasing the range of ML preventive measures for these services; and improve and implement effective controls for cross-border cash transactions. Pakistan needs to demonstrate that not only does it have AML laws on the books, but that these laws are enforced. To date, Pakistan has a poor track record. Between January 2009 and October 2010 there have been only four prosecutions and zero convictions under the AML law due to limited resources and lack of capacity.

Palau

Palau is not a regional or offshore financial center. The primary sources of illegal proceeds are illegal drugs and prostitution. Corruption in the governmental sector includes the misuse of government funds and cronyism, in part due to Palau's small size and extensive family networks. Palau is a low-risk jurisdiction for organized crime and terrorist financing.

Palau has one free trade zone, the Ngardmau Free Trade Zone (NFTZ). A public corporation, Ngardmau Free Trade Zone Authority, oversees the development of the NFTZ and issues licenses for businesses to operate there. NFTZ licensing exempts businesses from Foreign Investment Act requirements and certain import and export taxes. To date, no development has taken place within the area designated for the free trade zone and the NFTZ directors continue to search for developers and investors.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, credit unions, and money remitters

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

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STR covered entities: Banks, credit unions, money remitters, and non-governmental organizations

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Three from 2006 through 2011

Convictions: Three from January through December 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Palau 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/Palau%202008.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Money Laundering Prevention and Control Act (MLPCA), amended in 2007, does not include all predicate crimes prescribed in the international standards and currently lacks implementing regulations. Nor does it cover the designated non-financial businesses and professions operating in Palau. Significant deficiencies remain in the areas of customer due diligence, record keeping, monitoring of transactions, and supervision. The Financial Institutions Commission is the AML/CFT supervisor, but it does not have the resources to ensure AML/CFT compliance nor to issue any regulations.

The Palau Financial Intelligence Unit (FIU) is responsible for receiving and analyzing STRs, along with tracing, seizing, and freezing assets, but lacks a dedicated budget and staff. The Government of Palau (GOP), with donor assistance, organized a multi-agency STR review team to review the reports and help identify and initiate investigations. The multi-agency approach has enabled the FIU to function given its limitations of manpower and funding, and has fostered information sharing and joint investigations among the relevant law enforcement agencies. It is not, however, a long-term solution, and the GOP should dedicate funds and permanent staff to the FIU.

The Cash Courier Disclosure Act has been used successfully by Palau Customs and Security to make bulk cash currency seizures at the airport. The GOP should extend its excellent monitoring of the airport to all its border points of entry and exit to protect against the smuggling of bulk cash, narcotics and other contraband.

Palau's Counter-Terrorism Act specifically addresses its obligation under UN Security Council Resolution 1373. However, it does not adequately address provisional measures of seizing of evidence and property and the freezing of capital and financial transactions related to the financing of terrorism. Palau should strengthen its ability to freeze and confiscate assets related to the financing of terrorism. The GOP should circulate the UNSCR 1267 Sanctions Committee's consolidated list of terrorist entities. Palau should also become a party to the 1988 UN Drug Convention, the UN Convention against Corruption, and the UN Convention against Transnational Organized Crime.

Panama

Panama's strategic geographic location and status as a regional financial center make it an attractive jurisdiction for money launderers. Panama's success in establishing itself as a regional business and logistics hub, based on the success of its ports, airport and the Colon Free Zone – the second largest free trade zone in the world – have enhanced its attractiveness for organizations engaged in illicit financial

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activities. Money laundering in Panama is believed to be primarily related to the laundering of the proceeds of drug trafficking, and the country sits along major drug trafficking routes. The work of launderers is facilitated by weaknesses in the regulatory framework, notably the existence of bearer share corporations, but more importantly by uneven enforcement of anti-money laundering measures and the weak judicial system, which is susceptible to corruption and favoritism.

After negotiating and signing 13 Double Taxation Treaties with OECD members, and ratifying the Tax Information Exchange Agreement with the United States in 2010, Panama achieved removal from the OECD's gray list of tax havens in July 2011.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO
KYC 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 zone companies; finance companies; real estate brokers; and lawyers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 563 in 2010
Number of CTRs received and time frame: 495,546 in 2010
STR covered entities: Banks, cooperatives, and money exchanges; casinos; fiduciaries; insurance companies; government entities focused on the lottery; and investment houses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: 22 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Panama 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.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 cooperates well with U.S. law enforcement agencies. However, the notable successes the Government of Panama (GOP) has had in interdicting flows of illegal drugs have not been matched by

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similar success in addressing money laundering concerns. The various government agencies tasked with addressing money laundering remain fractured and under-resourced, and communicate poorly with one another. Panama's financial intelligence unit, the UAF, in particular, lacks the resources to process and investigate, let alone enforce, reporting requirements on suspicious transactions. The judicial branch's capacity to successfully try and convict money launderers remains weak, and judges remain susceptible to corruption. Although the GOP took a step forward with the introduction of know-your-client legislation requiring lawyers to conduct due diligence into the beneficial owners of the companies they incorporate, the continued existence of bearer shares corporations remains a vulnerability of the anti-money laundering regulatory framework.

Panama, through its Customs Authority, is taking steps to reduce the use of Tocumen Airport as an artery for cash couriers to move cash into Panama. More targeted enforcement action, in collaboration with U.S. law enforcement agencies, has led to increased scrutiny of passengers and notable seizures of undeclared cash at the airport.

Customs also has been effective in disrupting trade-based money laundering through the partnership of the Panamanian and U.S. trade transparency units (TTU). Established in 2010 by U.S. Immigration and Customs Enforcement and Panama's Customs authority, the Panamanian TTU has had significant success. Despite these advances, Customs lacks sufficient resources to fulfill its mandate.

The Colon Free Trade Zone (CFZ) continues to be vulnerable to abuse by criminal groups through illicit financial activities, due primarily to insufficient enforcement of existing controls. The new electronic transaction recording information system, when fully implemented, will improve capacity to trace transactions. Bulk cash is relatively easily introduced into the country by declaring it is for use in the CFZ. A new resolution, published December 14, 2011, improves the AML/CFT framework in the CFZ. The resolution has 25 articles that supersede and include all the provisions of law 42 of 2000 and Decree JD-008 of 2008. It will enter into force 60 days after publication. Among the items addressed are the requirement to have a compliance officer in each company; implementation of preventative measures, supervision, inspection and sanctions; STR and CTR reporting; and know your customer policies.

During 2011, the GOP took steps to continue to improve the legislative framework governing anti-money laundering and financial sector transparency. In 2011, Panama passed legislation (Law 2 of 2011) requiring lawyers to know their clients, conduct due diligence on the beneficial ownership of corporations they establish and share that information with the authorities upon request. These steps have strengthened Panama's regulatory framework. Panama also is drafting new anti-money laundering legislation, which would strengthen the UAF's authority and increase the number of sectors required to report suspicious transactions.

If the GOP continues its efforts to improve its anti-money laundering legal framework, particularly eliminating bearer shares, criminalizing "tipping off," improving the strength of the prosecutor's office and the judicial system, and creating a more transparent financial network, money laundering will become more difficult within Panama's borders.

Papua New Guinea

Papua New Guinea (PNG) is not considered a major financial center. It has a relatively stable banking system closely integrated with the financial systems of Australia and New Zealand. Smuggling is a major problem in PNG. Corruption is one of the main sources of illegal proceeds in PNG, especially related to misappropriation of public funds linked to the extraction industries and related licensing procedures as well as through fraudulent compensation claims. Corruption is also a serious issue in party politics.

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Transshipment of drugs and other illegal goods en route to Australia is increasingly considered an emerging risk. Limited PNG capacity in border control and the presence of organized crime groups pose significant risks for money laundering. PNG relies on assistance from Australia to deter illegal cross-border activities primarily from Indonesia, including illegal narcotics trafficking.

In PNG, the financial sector is small and provides little reach to the very large informal, rural and self-employed segments of the population. Approximately 85% of the adult population (about 3.9 million) lacks access to the formal 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:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks, finance companies, savings and loans, and microfinance entities; superannuation funds; insurance and securities companies; gambling houses, casinos, and lotteries; lawyers and accountants; dealers of precious metals and stones; real estate agents; and money changers and remitters

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 1,094 in 2010
Number of CTRs received and time frame: Not available
STR covered entities: Banks, finance companies, savings and loans, and microfinance entities; superannuation funds; gambling houses, casinos, and lotteries; investment managers and insurance companies; real estate agents; dealers in precious metals and stones; money exchanges and remitters; lawyers; and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: One in 2010
Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Papua New Guinea is a member of 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/PNG%20MER_July%202011.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Papua New Guinea’s legal system is still developing and transitioning from a traditional law and order system based on tribal seniority and indigenous customs. Western-style legislation is being generated, but enforcing agencies significantly lack the training, funding, assets, experience, and, in many cases, education to successfully combat sophisticated organized crime. Australian authorities partner closely

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with PNG counterparts to advise and build capacity in these regards. PNG interagency cooperation also needs improvement.

Papua New Guinea has criminalized terrorist financing in the form of “support” to a terrorist act. The law does not fully meet international standards.

In practice, only the banking sector has been made aware of STR and CTR reporting obligations. No financial intelligence reporting is taking place beyond the banking sector nor is there a clear obligation to perform customer due diligence procedures for any institutions. While the financial intelligence unit (FIU) is building its capacity, there is no clear political commitment to ‘follow the money’ to tackle corruption and other crimes, and no demonstrated commitment to regulate and supervise anti-money laundering/counter-terrorist financing (AML/CFT) obligations by financial sector regulators, which severely hampers the authorities’ ability to tackle financial aspects of corruption.

The Government of Papua New Guinea should continue its work to develop procedures to conform to international AML/CFT standards. Papua New Guinea should become a party to the UN Convention against Transnational Organized Crime and the 1988 UN Drug Convention.

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, or TBA) 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 domestic and/or international drug trafficking organizations, organized crime, or terrorist groups. 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 “informal” economy, estimated to be double Paraguay’s \$18 billion GDP. The area is well known for arms and narcotics trafficking, document forging, smuggling, counterfeiting, 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, and trade-based money laundering occurs in the region.

As a land-locked nation, Paraguay does not have an offshore sector. Paraguay’s port authority manages free trade ports and warehouses in Argentina (Buenos Aires and Rosario); Brazil (Paranagua, Santos, and Rio Grande do Sul); Chile (Antofagasta and Mejillones); and Uruguay (Montevideo and Nueva Palmira).

Money laundering likely occurs in the formal financial sector and definitely occurs in the non-bank financial sector, particularly exchange houses, which are 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 to Uruguay and Brazil, with onward transfers likely to destinations including banking centers in the United States.

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For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 279 - January 2011 to November 2011
Number of CTRs received and time frame: 1,341,162 in 2010
STR 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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Five in 2011
Convictions: None in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES
With other governments/jurisdictions: YES

Paraguay is a member of the Financial Action Task Force (FATF) against Money Laundering in South America (GAFISUD), a FATF-style regional body. Its most recent evaluation, conducted by the IMF, can be found here: <http://www.imf.org/external/pubs/ft/scr/2009/cr09235.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

For reporting entities that do not have a natural supervisory authority, the Secretariat for the Prevention of Laundering of Money or Assets (SEPRELAD) is the competent supervisor. SEPRELAD's budget has increased by 166% from 2008 to 2011. SEPRELAD increased its staff approximately 20% in 2011 and has made considerable investment in infrastructure, software up-dates and equipment. The 2011 STR numbers dropped significantly from the 812 reported in 2010 due to the implementation of new software at SEPRELAD that better establishes the requirements for an STR for obligated institutions.

The GOP took a welcomed step forward in regard to implementation of UNSCR 1267 in October 2011 when it passed a long-awaited asset freezing law that enables SEPRELAD to freeze the assets of designated terrorist financiers, or those conducting transactions with UN designated terrorists or terrorist

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financiers, indefinitely in as little as 36 hours once notification of UN designation is sent or a request from a foreign country relating to UNSCR 1373 is received. The new law complements the June 2010 anti-terrorism legislation criminalizing terrorist financing.

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. Apart from the new asset freezing law, 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 and do not include bank accounts. When a seizure does occur, law enforcement authorities cannot dispose of these assets until a defendant is convicted, which frequently takes years.

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, though following the implementation of additional supervisory measures two currency exchange houses were closed in 2011.

People entering or leaving the country must declare to customs values exceeding \$10,000 or its equivalent in other currencies. However, required customs declaration reports are seldom checked. Customs operations at the airports or overland entry points provide little control of cross-border cash movements.

Although Paraguay has made overall progress to improve its AML/CFT regime, and Paraguay's efforts and political commitment have been reflected in the issuance of proper legislation, the authorities' broader coordination capacity and the strengthening of their institutional frameworks need work. Paraguayan authorities will have to demonstrate the effectiveness of the legislation in force and of several mechanisms put in place.

Peru

Peru is not a major regional financial center, nor is it an offshore financial center. Peru has the world's highest potential production of pure cocaine and the second highest potential production of export quality cocaine. Money laundering is often used as a tool to integrate significant illegal earnings from drug trafficking into the Peruvian economy. As the Peruvian economy has grown, financial crimes have also increased. The most common methods of money laundering in Peru involve real estate sales, casinos, business investments, high interest loans, construction, export businesses, hotels, and restaurants. Other factors which facilitate money laundering include Peru's cash-based and heavily dollarized economy, a large informal sector, pervasive corruption, and deficient regulatory supervision of designated non-financial businesses and professions (DNFBPs), such as the informal money exchange and wire transfer services. A large black market for pirated and smuggled goods exists. Corruption remains a serious concern.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, insurance companies, stock funds and brokers, stock and commodities exchanges, credit and debit card companies, money exchange houses, mail and courier services, travel and tourism agencies, hotels and restaurants, notaries, the customs agency, casinos, auto dealers, construction or real estate firms, notaries, and dealers in precious stones and metals

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 1,650 from January to September 2011

Number of CTRs received and time frame: 2.57 million from January to September 2011

STR covered entities: Banks; casinos; investment houses; dealers of arms, antiques, vehicles, precious metals and stones; warehouses; construction and real estate firms, financial and insurance companies, and travel agents; import and export agents; credit card companies, courier and postal services; money lenders and money exchanges; customs; mining companies and manufacturers and dealers of explosives or chemical components used in drugs and explosives; and public entities that receive funds from other than the national treasury

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 159 from 2002 to July of 2011

Convictions: 13 from 2009 to 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Peru is a member of the Financial Action Task Force (FATF) in South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.gafisud.info/actividades.asp?offset=-1>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In May 2011, with donor support, the Government of Peru (GOP) announced a “National Plan to Combat Money Laundering and Terrorist Financing” (National Plan). The GOP expressed its commitment to implement this National Plan and to close cooperation with the United States to fight money laundering and financial crimes.

Casinos are a serious money laundering concern. Much of this concern originates in the gaming industry’s oversight authority. The Ministry of Foreign Commerce and Tourism (MINCETUR) regulates casinos. Although MINCETUR is a participant in the National Plan, provides information to the FIU, and requires that casinos report suspicious transactions, oversight and enforcement of anti-money laundering regulations remain weak. Casinos do not generate currency transaction reports, and there are no restrictions on cash-to-cash, cash-to-check, or cash-to-wire transfer transactions in casinos.

Informal remittance businesses remain unsupervised and vulnerable to money laundering. These businesses include travel agencies and small wire transfer businesses. Peru should expand supervision and regulation of financial institutions and DNFBPs.

Peru's bank secrecy law remains a primary obstacle to effective investigation and enforcement. A number of bills under review in the Peruvian Congress would, if enacted, lift bank secrecy provisions and allow the FIU to access all financial transactions in a timely fashion. The National Plan emphasizes the importance of adopting this legislation so the FIU would have greater access to information that is currently not available to it because of banking and tax secrecy laws.

Depending on the predicate offense, specialized prosecutors from the Public Ministry's Coordinating Office on Organized Crime or Office on Drug Trafficking are responsible for dealing with the majority of money laundering cases. Out of the 1,650 STRs filed with the FIU from January to September 2011, 54 financial intelligence reports including 114 STRs were submitted to the Public Ministry. The prosecutorial system for financial crimes needs improvements in investigative and prosecutorial capacity, and presentation of investigative results to prosecutors, including writing investigative results in clearer language. Prosecutors claim they cannot understand the format or language of many of the FIU's investigative results, and the 120-day time frame for prosecutors to investigate results is insufficient. Compounding the problem, many judges have not received sufficient training to manage the technical elements of money laundering cases, and banks often delay providing information to judges and prosecutors. Convictions tend to be for lesser offenses such as tax evasion, which is to prosecute successfully.

Although any form of collaboration with terrorism, including economic collaboration, is criminalized, the GOP has not established terrorist financing as a crime under Peruvian legislation in a manner that conforms to international standards. Peru does not have the ability to freeze terrorist assets without delay.

In April 2011, the U.S. Financial Crimes Enforcement Network suspended the exchange of information related to money laundering and terrorist financing with the FIU because of a leak of sensitive information the Peruvian press later published. The FIU and the Peruvian government are working to reestablish the relationship with FinCEN.

Philippines

The Republic of the Philippines is not a regional financial center. 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, kidnapping for ransom and the trafficking of narcotics and arms, and engage in money laundering through ties to organized crime. The proceeds of corruption are also a source of laundered funds. Smuggling, including bulk cash smuggling, continues to be a major problem. The Philippines has a large expatriate community, and remittances are also channels for money laundering. 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.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF

Money Laundering and Financial Crimes

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 ***civily:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks, non-bank institutions acting as quasi banks, and trust entities; insurance companies and pre-need companies; securities dealers, brokers/sales representatives, investment houses, mutual funds, and other entities managing securities as agent/consultant; foreign exchange dealers, money changers, remittance/transfer agents; pawnshops and entities dealing in valuable objects, currency, financial derivatives, cash substitutes, and similar monetary instruments

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 38,478 as of August 31, 2011

Number of CTRs received and time frame: 253,583,611 as of August 31, 2011

STR covered entities: Banks, non-bank institutions acting as quasi banks, trust entities; insurance companies and pre-need companies; securities dealers, brokers/sales representatives, investment houses, mutual funds, and other entities managing securities as agent/consultant; foreign exchange dealers, money changers, remittance/transfer agents; entities dealing in valuable objects, currency, financial derivatives, cash substitutes, and similar monetary instruments

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 50 as of August 31, 2011

Convictions: One as of August 31, 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

The Philippines is a member of the Asia/Pacific Group on Money Laundering, 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/The%20Philippines%20DAR%20-%20Final%20%20210809.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Investigations by the financial intelligence unit (FIU) continue to be 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 Philippines (GOP) should enhance the FIU’s access to financial records, and ensure it can rapidly freeze terrorist assets. The Philippines has a Customs Mutual Assistance Agreement with US Customs.

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.). Limited human and financial resources also constrain tighter monitoring and enforcement. The GOP should criminalize terrorist financing as a stand-alone offense.

The Philippines has developed an action plan to address its strategic anti-money laundering/counter-terrorist financing (AML/CFT) deficiencies. The strategic deficiencies that The Philippines has committed to address include adequately criminalizing money laundering and terrorist financing; implementing adequate procedures to identify and freeze terrorist assets; enhancing financial transparency; and extending suspicious activity reporting requirements to additional entities. Legislation pending in the Philippine Congress would address cited deficiencies. The Philippine Government committed to pass this legislation that would address the deficiencies with respect to terrorist financing, freezing of terrorist assets and bank secrecy by December 2011.

Poland

Poland lies directly along one of the main routes used by narcotics traffickers and organized crime groups between the former Soviet Union republics and Western Europe. According to Polish government estimates, narcotics trafficking, organized crime activity, auto theft (declining), smuggling, extortion, counterfeiting, burglary, and other crimes generate criminal proceeds in the range of less than \$2 billion each year. According to the Government of Poland (GOP), evasion of customs duties and taxes is the largest source of illegal income. Fuel smuggling, by which local companies and organized crime groups seek to avoid excise taxes by forging gasoline delivery documents, is a major source of laundered proceeds. Money laundering through trade in scrap metal and recyclable material is a growing trend, as is the increasing activity of organized crime in the financial services area (internet banking, credit cards and electronic systems for money transfers). It is also believed that some money laundered in Poland originates in Russia or other countries of the former Soviet Union. There are a declining number of cases involving entities located in tax haven countries. This is the result of agreements being signed on avoidance of double taxation (e.g., such an agreement with Cyprus will take effect in 2012).

The GOP estimates the gray economy, used primarily for tax evasion, may exceed 15% of Poland's 2010 gross domestic product (GDP). The GOP estimates the black economy comprises only 1% of GDP. Poland is not considered a regional financial center, nor is it considered a particularly important international destination for money laundering. The GOP considers the nation's banks, insurance companies, brokerage houses, and casinos to be the primary venues of 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:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, financial leasing and factoring companies, currency exchanges, investment companies and funds, the National Depository for Securities, gambling institutions, insurance companies, the National Bank of Poland, the Polish Post, foreign entities carrying out brokerage activities, electronic money institutions, credit unions, notaries, foundations, auctioneers, pawnshops, dealers of high value goods and precious metals and stones

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 19,279 from January to October 2011

Number of CTRs received and time frame: Not available

STR covered entities: Banks, financial leasing and factoring companies, currency exchanges, investment companies and funds, the National Depository for Securities, gambling institutions, insurance companies, the National Bank of Poland, the Polish Post, electronic money institutions, credit unions, notaries, foundations, real estate agents, lawyers, auctioneers, pawnshops, dealers of high value goods and precious metals and stones, as well as new payment services entities/agents

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 131 from January to June 2011

Convictions: Three from January to June 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES

With other governments/jurisdictions: YES

Poland is a member of the 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/Poland_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Finance Ministry maintains the effectiveness of actions against money laundering involving transfer of money to tax havens is improving with the increase in the number of cooperation agreements concluded with counterparts in such countries. There is also good and improving cooperation with international law enforcement agencies, while domestic efforts are focused on upgrading analytical tools and instruments.

Over the last few years, the GOP has gone to great lengths to strengthen and harmonize its anti-money laundering/counter-terrorist financing (AML/CFT) legal and regulatory tools and institutions with international standards. In 2011, cooperation among relevant authorities and institutions increased. However, work remains to ensure effective implementation. Poland should ensure promulgated regulations are fully effective. The GOP should promote additional capacity building in the private sector and continue to improve communication and coordination among the FIU and relevant law enforcement agencies.

Police and customs authorities, in particular, should continue to receive training on recognizing money laundering and terrorist financing methodologies, including trade-based money laundering and informal value transfer systems. A new technique used by money launderers in Poland is to put laundered money on a new variety of cash card that can be bought in stores. These cards are not registered to anyone, meaning they can be thrown away without leaving a trace. Criminals often use them to make transactions

online. The FIU is looking for ways to upgrade analytical tools in order to be able to process data more comprehensively and efficiently.

Portugal

Portugal is an entry point for narcotics transiting into Europe. Officials of the Government of Portugal (GOP) indicate the majority of money laundered in Portugal is narcotics-related. Its long coastline, vast territorial waters and privileged relationships with countries in Latin America and Africa make it a gateway country for Latin American cocaine and a trans-shipment point for drugs coming from West Africa entering Europe. Portuguese authorities have also detected criminal funds being placed into the financial system from smuggled commodities, particularly tobacco products. Authorities also have noted significant criminal proceeds from corruption, traffic in works of art and cultural artifacts, extortion, embezzlement, tax offenses, and facilitating illegal immigration. Currency exchanges and real estate purchases are often used for laundering criminal proceeds.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, credit institutions, and investment companies; financial leasing, factoring, and mutual guarantee companies; electronic money institutions; life insurance, pension fund management, and credit securitization companies; venture capital and venture capital funds management companies; collective investment entities; postal service entities; casinos and lotteries; property dealers; lawyers, accountants, and auditors; and dealers in high-value goods

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 1,287 in 2010

Number of CTRs received and time frame: 9,336 in 2010

STR covered entities: Banks and credit institutions; investment companies; life insurance companies; financial leasing, factoring, and mutual guarantee companies; electronic money institutions; pension fund management, credit securitization, venture capital, and venture capital funds management companies; collective investment entities; postal service entities; casinos and lotteries; property dealers; lawyers, accountants, and auditors; traders in high-value goods

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 80 in 2010

Convictions: 12 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES

With other governments/jurisdictions: YES

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Portugal is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/infobycountry/0,3380,en_32250379_32236963_1_70732_1_1_1,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although the general legal principle in Portugal is that only individuals are subject to criminal liability, there are exceptions. The criminal code, as revised in 2007, provides for criminal corporate liability for money laundering and certain other crimes.

Qatar

Qatar has become an increasingly important Gulf banking and financial services center. Despite the growth of the banking sector and increasing options for financial services, Qatar still has a largely cash economy. Qatar has had low rates of crime, although crime rates have increased in recent years. There are several trends which make Qatar increasingly vulnerable to money laundering, including: a large number of expatriate laborers who send remittances to their home countries; the growth in trade and the financial sector's expansion; liberalization and growth in the real estate sector; uneven corporate oversight; and Iran's efforts to bypass sanctions through Gulf economies.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, real estate brokers, dealers of precious metals or stones, lawyers and notaries, trust funds and company service providers, real estate brokers, and non-profit organizations (NPOs)

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 182 from December 2010 – November 15, 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, real estate brokers, dealers of precious metals or stones, lawyers and notaries, trust funds and company service providers, real estate brokers, and NPOs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Three from May 2010 - December 2011

Convictions: One in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Qatar 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/QatarMER1.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

With its 2010 AML/CFT law and accompanying regulations, the Government of Qatar (GOQ) demonstrated its commitment to improving its AML/CFT regime. However, some weaknesses remain. Trafficking in persons is still not a predicate offense for money laundering. Qatar lacks a law mandating the declaration of bulk cash or bearer-negotiable instruments entering or transiting the country. Qatar should continue its efforts to effectively implement AML/CFT regulations and procedures and should be sure sufficient resources and training are provided to develop the necessary institutional capacity.

The Qatar Financial Information Unit has issued new guidelines on STR reporting obligations and engaged in outreach and workshops with financial institutions. Despite these efforts, the current rate of STR filings remains largely unchanged, while only one STR was disseminated to the Public Prosecutor's Office (PPO) in 2010.

The AML/CFT law includes a provision which authorizes the National Anti-Terrorism Committee (NATC), located in the Ministry of Interior, to designate by resolution those who finance terrorism, terrorists and terrorist organizations, independently of lists forwarded to the GOQ pursuant to UNSCRs 1276 and 1373. No designations had yet been made and no terrorist financing STRs had been filed as of year-end 2011. In the spring of 2011, the National Anti-Money Laundering Committee adopted steps to identify, investigate, and refer for prosecution transactions involving entities included under UNSCR 1373. In October 2011, the NATC incorporated obligations pursuant to UNSCR 1373, which set forth the procedures for identifying and freezing terrorist assets for persons or organizations suspected of terror finance but not designated under UNSCR 1267. These procedures have been incorporated into the NATC's area of oversight responsibilities and require the PPO to issue a freezing order when the NATC makes such a request.

Qatar should work to increase the rate of investigations and prosecutions by building capacity within its law enforcement authorities. Qatar should also pursue outreach and enforcement activities to ensure terrorist financing-related STR reporting occurs, and ensure the 1267/1373 freezing regime is effectively implemented.

Regarding Iran-related terrorism and proliferation transactions, the Central Bank ordered financial institutions to freeze any assets of entities listed in UNSCRs 1737, 1747, 1803, and 1929 and prohibit transactions with listed entities. Bank Saderat is the only active Iranian financial entity with two small branches in Doha, and as a foreign bank, Saderat cannot open new branches or expand its activities. Reflecting general concerns in the Gulf about Iranian financial institutions, many Qatari banks no longer clear checks for Bank Saderat, and Qatari banks have ended all correspondent relations with Saderat.

Romania

Romania is not a regional financial center but the country's geographical location makes it a natural transit country for trafficking in narcotics, stolen vehicles, persons and arms by transnational organized criminal elements. As a result, Romania is vulnerable to financial activities associated with such crimes, including money laundering. Tax fraud, fraudulent claims in consumer lending, and trans-border

Money Laundering and Financial Crimes

smuggling of counterfeit goods are additional types of financial crimes prevalent in Romania. Laundered money comes primarily from international crime syndicates who conduct their criminal activity in Romania. Commercial transactions have been the main method of money laundering, primarily through use of shell and offshore companies; this principally involves fraudulent claims for value added tax (VAT) reimbursement. In a few cases, funds obtained from tax fraud have been transferred to offshore jurisdictions.

Romania also has some of the highest rates of cybercrime and online credit card fraud in the world. Studies have found Romanian servers to be the second largest source of cybercrime transactions worldwide. Although a majority of their victims reside in the United States, Romanian cybercriminals are increasingly targeting victims elsewhere in Europe, as well as in Romania itself.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks; non-banking financial institutions; financial investment service providers; insurers and reinsurers; securities brokers; private pension funds; accounting, consulting, audit and law firms; notaries; casinos; persons responsible for privatizations; non-governmental organizations; real estate brokers; and high value goods dealers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 3,237 from January to November 2011
Number of CTRs received and time frame: 37,332 from January to November 2011
STR covered entities: Banks; non-banking financial institutions; insurers and reinsurers; securities brokers; private pension funds; accounting, consulting, audit and law firms; notaries; and real estate brokers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 48 from January to October 2011
Convictions: Seven, all under appeal; timeframe unknown

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Romania is a member of the 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/Evaluations/round3/MONEYVAL%282008%2906Rep-ROM3_en.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Money Laundering and Financial Crimes

A review of STRs filed from January to October 2011 shows that 75% of all cases were related to tax fraud. During the same time period, only 16 STRs (less than 0.5% of the total filed) were related to narcotics trafficking; of the 16 reports, the financial intelligence unit (FIU) referred 11 to the General Prosecutor's Office.

Romania's FIU faces the continual challenge of limited financial, human, and technical resources. The Government of Romania (GOR) should continue its efforts to ensure non-bank financial institutions are adequately supervised. Additionally, the knowledge level of this sector should be increased regarding its reporting and record keeping responsibilities and the identification of suspicious transactions. The GOR should continue to improve communication between reporting and monitoring entities, as well as among prosecutors, investigators, and the FIU. In 2011, Romania's FIU continued to strengthen its relationships with other FIUs.

Romania has adopted the National Strategy for the Prevention and Combat of Money Laundering and Terrorism Financing. Decision 603/2011 establishes the technical procedures necessary for the FIU to supervise international sanctions implementation; and the FIU issued Order 95/2011, which defines the terms for authorizing financial transactions to and from sanctioned entities.

In order to improve the rate of money laundering prosecutions and convictions, Romania should not become overly reliant on STRs and other forms of financial intelligence but instead empower law enforcement and customs authorities to detect and investigate money laundering at borders and ports and the street level. Romania should improve implementation of existing procedures for the timely freezing, seizure and forfeiture of criminal or terrorist-related assets. Romania should continue to make progress in combating corruption in public procurement.

In 2011, a Romanian national was found guilty in a Washington, D.C. federal court of leading an international money laundering network for a transnational crime network based in Romania and other countries in Eastern Europe. The scheme involved the posting of fraudulent ads on eBay and other websites offering expensive vehicles and boats that the conspirators didn't possess. Victims seeking to purchase the items were directed to wire money to an entity that appeared to be affiliated with eBay but wasn't. Instead, the money was wired directly to bank accounts controlled by the conspirators in Hungary, Slovakia, Czech Republic and Poland. Similar cases were investigated in Romania.

Russia

The current Russian administration aspires to establish Moscow as one of the key international financial centers. However, despite significant progress in improving the legal and enforcement framework, the prevalence of money laundering (ML) in Russia, where there is a high level of organized crime and corruption, stands out as one of the major obstacles to this goal. 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 securities instruments, real estate, and luxury consumer goods. Despite making progress in combating financial crimes, Russia remains vulnerable to such activities. Russia's risk factors include 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. These factors help create an environment in which corruption and financial crimes flourish.

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For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks and credit institutions; Russian 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; pawnshops, microfinance organizations, and consumer credit cooperatives; and persons providing legal or accounting services

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 2,508,718 in the first half of 2011

Number of CTRs received and time frame: 1,242,459 in the first half of 2011

STR 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; microfinance organizations; and consumer credit cooperatives

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 141 in the first half of 2011

Convictions: 113 in the first half of 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES

With other governments/jurisdictions: YES

Russia is a member of the Financial Action Task Force (FATF) and 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.fatf-gafi.org/dataoecd/31/6/41415981.pdf?bcsi_scan_E6B5D3DA0AAC65B7=0&bcsi_scan_filename=41415981.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Through aggressive enactment and implementation of comprehensive anti-money laundering (AML) legislation, Russia has established a legal and enforcement framework to deal with money laundering and terrorist financing. In 2010, Russia adopted amendments to expand AML coverage to subsidiary branches, representative offices, and affiliates of financial institutions located outside the Russian Federation; make microfinance and short-term loans, which have grown significantly in Russia, subject to AML laws; and clarify definitions critical to enforcement. Amendments to the Code of Administrative

Money Laundering and Financial Crimes

Infringements improve regulatory oversight related to AML legislation and broaden the authority of Rosfinmonitoring, Russia's financial intelligence unit (FIU), and the Central Bank of Russia to conduct investigations of ML violations. AML law now makes it clear that identification is defined as the entirety of measures whereby the information about clients, their representatives and beneficiaries is established and the reliability of such information is confirmed. Order 59, issued by Rosfinmonitoring on February 17, 2011, requires customer due diligence where there are doubts about the veracity of previous identification.

While the Russian Federation has made steady progress overall in its AML/CFT implementation, some important issues remain. Russia needs to make sure that obligated entities are able to report every type of suspicious activity related to money laundering. Though the overall STR regime is working well in practice, presently there is no legal basis for reporting attempted occasional transactions. Furthermore, implementing regulations have not been issued for critical components of the 2010 amendments, such as monitoring of affiliates' operations outside the Russian Federation. For years Russian banks did not properly understand the concept of beneficial owner, partly due to a lack of clarity in the law. While the term has now been better defined, private sector entities are still incorporating clarified definitions of beneficial owner into their AML practices.

While most international standards are applied in Russian legislation, several important discrepancies remain between the standards of international and local domestic banks. Some identification requirements are absent. Also, Russian AML law lacks more specific requirements pertaining to sanctions screening (like frequency of updates, screening of fields of transactions, transliterations, requirement for certain logic, etc). In addition, banks still are not able to refuse to carry out a transaction or to open an account when they have strong AML concerns regarding the transaction or prospective clients. 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.

Current Russian law does not include insider trading as a predicate offense to money laundering. To address this deficiency, Law 224-FZ was adopted by the Russian Parliament in July 2010. Included in this law is an amendment to the Criminal Code to criminalize the deliberate use of insider information when carrying out transactions and giving recommendations to third persons; however, this provision will not take effect until 2014.

Russia also has made some recent progress regarding new technologies and non-face-to-face financial transactions. On June 27, 2011, Federal Laws No. 161-FZ and No. 162-FZ "On the National Payment System" and its amendments were adopted, which among other issues address the regulation of new technologies used by financial institutions. Transactions under 15,000 rubles (approximately \$500) are not subject to client identification requirements. Thus non-bank payment service providers can act as payment agents or bank payment agents and are exempt from AML/CFT identification requirements provided the payment amount is 15,000 rubles (approximately \$500) or less. In other words, money can be remitted under this amount without opening a bank account, and non-face-to-face electronic payment facilities are permitted, provided the monthly sum total of remittances does not exceed 40,000 rubles (approximately \$1,650). According to Rosfinmonitoring Order No. 103, which applies only to non-credit institutions, such client transactions executed remotely by payment service providers, as well as the issuance of orders to execute transactions requiring no personal contact with an institution, constitute a basis for submitting an STR to the FIU.

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 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 regional and international bodies focusing on AML regime implementation.

Rwanda

Rwanda is not a major or offshore financial center. The Rwandan financial system remains relatively unsophisticated with limited use of electronic funds transfers or credit card transactions. Fraud, smuggling, and trafficking in persons are areas of concern for money laundering.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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 ***civily:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, designated non-bank financial institutions, private legal practitioners, auditors, real estate agents, high-value traders, casino and lottery owners, travel agencies and non-governmental organizations

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Two in 2010
Number of CTRs received and time frame: Not available
STR covered entities: Banks, designated non-bank financial institutions, private legal practitioners, auditors, real estate agents, high-value traders, casino and lottery owners, travel agencies and non-governmental organizations

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Rwanda is not a member of a Financial Action Task Force (FATF)-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Rwanda's Law 48/2008 "Prevention and Suppression of Money Laundering and Financing of Terrorism" published in March 2009, establishes a comprehensive legislative framework. With the establishment of

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the Financial Investigations Unit in March 2011, the legislation has been fully implemented. However, in general, relevant agencies of the government of Rwanda need significant additional training, resources and technical expertise to effectively investigate and enforce laws concerning money laundering and terrorist financing.

Under Rwandan Law, all foreign currency transactions in excess of \$20,000 equivalent are documented and reported to the Central Bank. Any type of transaction over \$1,000,000 must be reported as a suspicious transaction.

Rwanda should provide protection for entities and their employees who file STRs and should also criminalize tipping off.

San Marino

In the last several years, the Republic of San Marino has been aggressively combating the image of a fiscal haven. It has taken steps to improve its anti-money laundering regime and increase the transparency of its financial sector.

While there is no significant market for illegal or smuggled goods in San Marino, money laundering occurs in both the formal and non-bank financial sectors, unrelated to narcotics-trafficking. Money laundering is mainly trade-based and is perpetrated by foreigners to avoid higher taxes in their countries. However, the country has recently adopted stricter monitoring regulations and there appears to be a decrease overall in financial crimes. There are no free trade zones in San Marino.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks and financial companies, the postal service, electronic money institutions, investment firms, insurance companies, lawyers, trust companies, accountants, auditors, gaming centers, and money exchangers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 261 in 2011
Number of CTRs received and time frame: None
STR covered entities: Banks and financial companies, insurance and re-insurance companies, accountants and tax advisors, real estate agents, notaries, lawyers, gaming centers, and dealers in precious stones and metals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* YES

With other governments/jurisdictions: YES

San Marino is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and 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/San%20Marino_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In the past, the lack of appropriate legislation and resources to enforce AML regulations made San Marino vulnerable to money laundering, especially from tax evasion and fraudulent financial activities such as false invoicing by Italian individuals and companies. In recent years, however, the country has made dramatic improvements to meet international financial standards, both by updating legislation and signing international agreements.

In 2011 San Marino signed a Memorandum of Understanding with the U.S. Financial Crimes Enforcement Network (FinCEN) for cooperation in the exchange of information related to money laundering and terrorist financing and also arranged for the sharing of terrorism screening information with the U.S. Terrorism Screening Center. San Marino also has signed Tax Information Exchange Agreements with 36 countries, including all major European Union member states.

San Marino should become a party to the UN Convention against Corruption.

Sao Tome & Principe

Sao Tome and Principe (STP) is not a regional financial center and has an extremely small banking sector. The economy is almost entirely cash-based, though limited ATM service was introduced in October 2011. There is no evidence that significant money laundering/terrorist financing activity linked to the drug trade, contraband smuggling, or terrorism occurs in STP.

STP's lack of progress in establishing an anti-money laundering/counter-terrorist financing (AML/CFT) regime results in significant vulnerability. Sao Tome and Principe is included in the Financial Action Task Force's (FATF) October 2011 Public Statement because of this continuing lack of progress in correcting strategic deficiencies.

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 *civilly:* NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: The FIU (Financial Intelligence Unit), the Central Bank, commercial banks and the Public Ministry

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: None

Number of CTRs received and time frame: None

STR covered entities: The FIU, the Central Bank, commercial banks, the Public Ministry, insurance companies, casinos, and real estate companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* NO

With other governments/jurisdictions: NO

Sao Tome is an observer of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Sao Tome is currently in the process of becoming a GIABA member and has not yet been evaluated.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Sao Tome and Principe (GOSTP) amended its anti-money laundering law in 2010. These changes were primarily directed toward meeting international standards and criminalizing terrorism financing, but they do not provide a legal framework that comports with international standards. As 2011 closed, the National Assembly discussed the introduction of a revised criminal code to address additional predicate offenses. However, neither the National Assembly nor the President had given official approval by year end. The Minister of Justice has been working directly with the National Assembly in order to get the new criminal code approved.

While STP is working to address the remaining deficiencies, full implementation of STP's action plan to correct shortcomings will be a challenge, given the country's scarce resources and capacity within the government, national security forces, and the judiciary. Implementation is dependent on the country's fiscal situation. STP depends on donors for 93% of its budget.

The AML Law states all STRs must be sent to the Public Prosecutor. The GOSTP is working to change the law to require STRs to go directly to the newly-created FIU, which lacks resources and capacity and is not yet fully operational. The government is committed to providing the FIU with what it needs to operate effectively. The FIU conducted an awareness training session for financial and non-financial institutions in October 2011.

Sao Tome and Principe lacks an effective AML/CFT regime on almost all sides. Its legal framework does not meet the international standards, and its regulatory and supervisory regime is lacking in capacity as well as coverage – not all covered entities have a regulator and there are no effective sanctions for lack of compliance with existing requirements. The GOSTP is working to address these deficiencies.

Saudi Arabia

The Kingdom of Saudi Arabia (KSA) is a growing financial center in the Gulf Region. Money laundering and terrorist financing are known to originate from Saudi criminal enterprises, private individuals, and Saudi-based charities. Based on media reports and discussions with Saudi officials, there is no indication

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of significant narcotics-related money laundering. Saudi bulk cash smuggling from individual donors and charities has reportedly been a major source of financing to extremist and terrorist groups over the past 25 years. With the advent of tighter bank regulations, funds are reportedly collected and illicitly transferred in cash, often via pilgrims performing Hajj and Umrah. Despite serious and effective efforts to counter the funding of terrorism originating from within its borders, entities in Saudi Arabia likely continue to serve as an important source of cash flowing to Sunni-based extremist groups. Saudi officials acknowledge difficulty in following the money trail with regard to illicit finance due to the preference for cash transactions in the country and the regulatory challenge posed by hawalas. The government does not regularly publish official criminal statistics.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, money exchangers, real estate agents, dealers in precious metals and stones, lawyers, and accountants

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 1,368 in 2010
Number of CTRs received and time frame: Not publicly available
STR covered entities: Banks, insurance companies, exchange companies and institutions, investment and insurance companies, commercial companies, sole proprietorships, and vocational activities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 237 (2004 – 2008)
Convictions: 162 (2004 – 2008)

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES
With other governments/jurisdictions: YES

The Kingdom of Saudi Arabia 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.fatf-gafi.org/dataoecd/47/59/45727237.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Money-service businesses operating outside of banks and licensed money changers are illegal in Saudi Arabia. To help counteract the appeal of these types of unlicensed money services, particularly to many of the approximately eight million expatriates living in Saudi Arabia, Saudi banks have taken the

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initiative to create fast, efficient, high-quality, and cost-effective fund-transfer systems that have proven capable of attracting customers accustomed to using other, non-sanctioned methods.

Saudi Arabia's Council of Senior Scholars (the Kingdom's highest judicial body and equivalent to the U.S. Supreme Court) issued an edict (fatwa) declaring that financing terrorism, knowingly or unknowingly, was illegal and punishable under Islamic law. Nevertheless, Saudi Arabia should enact a full statutory criminalization of terrorist financing and structure it separately from the money-laundering offense to explicitly demonstrate that it has been criminalized.

Sweeping counter-terrorism operations have demonstrated Saudi Arabia's effectiveness at disrupting financing within the Kingdom. Contributions to charities are subject to strict guidelines, including that they must be in Saudi riyals, adhere to enhanced identification requirements, and be made only by checks payable to the first beneficiary, which then must be deposited in a Saudi bank. Regulations also forbid charities from using ATMs and credit cards for charitable purposes, from making cash contributions, and from making money transfers outside of Saudi Arabia.

Saudi Arabia's capacity to monitor compliance with and enforce its banking rules has improved and helped to stem the flow of illicit funds through Saudi financial institutions. The Saudis' ability to stop bulk cash smuggling has also improved. However, cash illicitly collected and transferred via pilgrims on Hajj or Umrah continues to flow.

Saudi Arabia should become a party to the UN Convention against Corruption.

Senegal

A regional financial center with a largely cash-based economy, Senegal is vulnerable to money laundering. One estimate puts the amount of proceeds laundered annually at 200 billion CFA (approximately \$390 million). Various reports indicate Senegal is vulnerable to the activities of organized criminal activity, including money laundering and drug trafficking; but public officials, including CEOs and directors of public entities, are also reportedly engaged in money laundering. The lack of understanding and enforcement of relevant laws constitute an attraction for illegal proceeds. Reportedly, most money laundering involves domestically generated proceeds from corruption and embezzlement. There is also evidence of increasing criminal activity by foreigners, such as narcotics trafficking by Latin American groups that consider Senegal a hub for exporting drugs to Europe. Also of concern are organized crime figures from a growing West Africa narcotics trade that launder and invest their personal and their organizations' proceeds.

Dakar's active real estate market is largely financed by cash, and the construction industry appears to be a popular vehicle for criminals' illicit funds. Property ownership and transfer are not transparent. The continued building boom and high property prices suggest there is an increasing amount of funds with uncertain origin circulating in Senegal. The number of real estate and construction agents in Senegal continues to increase and prices continue to skyrocket. The increasing numbers of used imported vehicles suggest the existence of both value transfer via trade goods and illicit cash couriers. Trade-based money laundering is centered in the region of Touba, a largely autonomous and unregulated free trade zone under the jurisdiction of the Mouride religious authority. Touba reportedly receives between \$550 and \$800 million per year in funds repatriated by networks of Senegalese traders and vendors abroad. The presence of hawala and other money and value transfer systems also presents money laundering vulnerabilities for Senegal. Other areas of concern include the transportation of cash, gold and gems through Senegal's airport and across its porous borders.

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For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks; money exchanges; postal services; lawyers; securities and insurance brokers; auditors; real estate agents; dealers of high value goods such as art objects, precious stones, and metals; transporters of funds; casinos and gambling establishments, including state lotteries; travel agencies; non-governmental organizations, the Public Treasury

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 83 in 2010
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks; money exchanges; postal services; lawyers; securities and insurance brokers; auditors; real estate agents; dealers of high value goods such as art objects, precious stones, and metals; transporters of funds; casinos and gambling establishments, including state lotteries; travel agencies; non-governmental organizations

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 45 in 2010
Convictions: Three in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Senegal is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here: <http://www.giaba.org/index.php?type=c&id=37&mod=2&men=3>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Senegalese Government has taken steps to prevent financial crimes. With a 17% increase in STR reporting and a fivefold increase in money laundering prosecutions between 2009 and 2010, Senegal's AML/CFT regime continues to tighten.

Unfortunately, the Senegalese police have limited logistics capabilities. Senegal's financial intelligence unit, CENTIF, has worked with law enforcement and Ministry of Justice authorities to coordinate roles and responsibilities and to develop a deeper interagency understanding of terrorist financing. The sums of money recorded in the 2010 STRs equals CFA 1,119 billion (approximately \$218 billion) or 17.6% of GDP. Fifteen cases were referred to judicial authorities in 2010 as opposed to 14 in 2009. Approximately 83% of STRs were generated by the formal financial sector – 75% came from banks.

On March 3, 2011, Senegal adopted an amendment initiated by President Wade to Article 29 of the Law of February 9, 2004 on the Fight against Money Laundering. The amendment provides prosecutorial discretion to discharge the obligation to open a criminal case following a CENTIF-disseminated report. According to critics, this law allows a level of protection for white collar offenders and dignitaries targeted by CENTIF, and violates the West African Economic and Monetary Union (WAEMU) legislation required to be in force among all members.

The Government of Senegal (GOS) should continue to work with its partners in GIABA, the WAEMU and the Economic Community of West African States (ECOWAS) to develop a comprehensive AML/CFT regime. Senegal should continue to battle corruption and increase the frequency, transparency, and effectiveness of financial reviews and audits of financial institutions. The GOS should establish better uniform control of the cross-border flow of currency and other bearer-negotiable instruments for both residents and nonresidents. Senegalese law enforcement and customs authorities need to develop their expertise in identifying and investigating both traditional money laundering and money laundering within the informal economy as well as value transfer via trade goods. CENTIF should perform more outreach to obligated non-bank financial institutions to ensure a better understanding of the content and filing requirements for STRs. CENTIF, law enforcement, and Ministry of Justice authorities should continue to work together to coordinate roles and responsibilities. The GOS should work with the international community to examine the new Article 29 amendment, and roll it back if it is determined to be in violation of the WAEMU legislation and/or presents a vulnerability to the AML/CFT regime.

Serbia

Serbia is not considered a regional financial center. However, Serbia is situated on a major trade corridor known as the “Balkan route,” and commonly confronts narcotics trafficking; smuggling of persons, weapons and pirated goods; money laundering; and other criminal activities. Corruption and organized crime also continue to be significant problems in Serbia.

Serbia has long been and continues to be a black market for smuggled goods. Illegal proceeds are generated from drug trafficking, corruption, tax evasion and organized crime, as well as other types of crimes. Proceeds from illegal activities are invested in all forms of real estate and into sports, particularly football (soccer) club operations. Some gray money flows to Cyprus, reportedly as payment for goods and services; although GOS officials believe these monetary flows have become less significant over the past few years. Banks in Macedonia, Hungary, Switzerland, Austria and China continue to be destinations for laundered funds. Trade-based transactions, in the form of over- and under-invoicing, are a commonly used method for laundering money. There are reports that purchases of some private and state-owned companies have been linked to money laundering activities.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks; licensed bureaux de change and money transfer services; investment fund management companies; voluntary pension fund management companies; guarantors and financial leasing and factoring providers; insurance companies, brokers, and agencies, and insurance agents with a license to perform life insurance business; persons dealing with postal communications; broker-dealer companies; casinos; organizers of games of chance operated on the Internet, by telephone, or using telecommunication networks; auditing companies; licensed auditors, accountants and tax advisors; real estate and credit intermediaries; and lawyers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 2,257 from January 1 to October 27, 2011

Number of CTRs received and time frame: 179,516 from January 1 to October 27, 2011

STR covered entities: Banks; licensed bureaux de change and money transfer services; investment fund management companies; voluntary pension fund management companies; guarantors and financial leasing and factoring providers; insurance companies, brokers, and agencies, and insurance agents with a license to perform life insurance business; persons dealing with postal communications; broker-dealer companies; casinos; organizers of games of chance operated on the Internet, by telephone, or using telecommunication networks; auditing companies; licensed auditors, accountants and tax advisors; real estate and credit intermediaries; and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: As of May 2011, prosecutions were pending against 255 individuals

Convictions: 19 as of May 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Serbia is a member of the 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/Serbia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The GOS has taken a number of steps to improve its anti-money laundering/counter-terrorist financing (AML/CFT) regime over the past year. In May 2011, the Law on Capital Markets came into effect. The law adds market manipulation and insider trading as money laundering predicate offenses.

Serbia has yet to adopt legislation governing administrative freezing of assets in accordance with international standards. The Serbian government continues to insist the major problem in freezing terrorist assets without delay is jurisdictional (i.e., who would legally seize the assets). In practice, however, there is good cooperation among the Serbian Administration for the Prevention of Money Laundering (APML), the prosecutor's office, and police. This informal cooperation is effective, and APML officials anticipate that procedures formalizing the cooperative relationships will be codified in a draft law slated to be proposed in late 2011. This draft law has been in process for approximately 18 months, and it is unclear when, or if, this law will be adopted and implemented.

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In late 2010, the AML/CFT law was amended to add wire transfer provisions to mandate that payer information accompany transfers of funds. Additionally, the amendment sets forth provisions for the licensing of compliance officers. The APML now holds organized exams for compliance officer certification and conducts training for compliance officers working in banks, insurance companies, brokers and dealers. In early 2012, the law is expected to be revised to expand coverage of the law to notaries. Although tipping off is prohibited, the AML/CFT law does not provide for any sanctions when the rule is breached by management or employees of obligors.

In cooperation with international partners the APML is working to improve its efficiency and operations, help reporting entities improve STRs, and improve the quality and quantity of ML indictments and convictions. In 2011, the APML began to utilize electronic exchanges of documents with obligors to enhance both security and efficiency. The APML is also studying the non-profit sector to analyze the legal framework. Additionally, with partner assistance, the APML, the National Bank of Serbia (NBS), the Securities Commission and other stakeholders are working to develop a national risk assessment for Serbia, as well as enhance the stakeholders' capabilities in terms of legislation, operations and capacities.

The numbers of prosecutions and convictions are for unknown time frames because Serbian authorities are unable to provide clear and precise statistics due to bureaucratic issues and divisions of responsibility among the Ministries of Interior and Justice, and APML, which all cover various aspects of ML issues.

The GOS and U.S. Government are currently negotiating an extradition treaty. The GOS maintains bilateral agreements on mutual legal assistance with 31 countries. The FIU has signed information sharing agreements with 15 countries.

Serbia should continue to pursue measures to improve supervision of Serbian securities firms and designated non-financial businesses and professions, and to provide these institutions with sufficient guidance to ensure they understand and are able to comply with their responsibilities under the AML/CFT law. The NBS and other supervisory bodies, as well as investigative agencies, the FIU, prosecutors, and judges require additional resources to build their professional capabilities. Law enforcement and prosecutors also need to make increased use of criminal money laundering charges.

Seychelles

Seychelles is not a major financial center. The Seychellois authorities consider drug trafficking, parallel market operations, theft and fraud as the major sources of illegal proceeds. Seychelles also has been negatively affected by piracy off the coast of Somalia.

Seychelles is a consumer country for narcotics. To diversify its economy beyond tourism and fisheries, the Government of Seychelles (GOS) developed an offshore financial sector to increase foreign exchange earnings. Seychelles actively markets itself as an offshore financial and business center that allows the registration of nonresident business companies. These activities make the country vulnerable to money laundering. In its 2007-2017 strategic plan, the GOS proposes to facilitate the further development of the financial services sector through active promotion of Seychelles as an offshore jurisdiction, with emphasis on international business companies (IBCs), mutual funds, special license companies, insurance companies, and private foundations. The Seychelles International Business Authority, which regulates the offshore financial sector, provides training in such areas as company and trust administration, international tax planning, compliance and anti-money laundering. Seychelles also is seeking to establish a securities exchange to further diversify its product offerings in the financial sector. As of 2008, there were over 30,000 IBCs registered in the country. At the time, the Seychelles offshore sector was estimated to be generating over \$25 million annually.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO
KYC covered entities: Banks, credit unions, insurance companies, trust and company service providers, casinos, real estate agents, money exchangers, notaries, lawyers, accountants, and dealers in precious metals and stones

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 43 from January to October 2011
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, credit unions, insurance companies, trust and company service providers, casinos, real estate agents, money exchangers, notaries, lawyers, accountants, and dealers in precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None from January to October 2011
Convictions: None from January to October 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO
With other governments/jurisdictions: YES

Seychelles 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/reports/view_me.php?id=189

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Seychelles (GOS) should work to improve the implementation of its anti-money laundering/counter-terrorist financing (AML/CFT) framework, including the analysis of STRs and the pursuit of investigations and prosecutions for money laundering and terrorist financing. Seychelles should continue to work with its financial intelligence unit (FIU) to ensure it has the training and resources needed for outreach, analysis and dissemination. The GOS should expand its anti-money laundering efforts by prohibiting bearer shares, anonymous accounts and accounts in fictitious names, and clarifying its law regarding the complete identification of beneficial owners. Additionally, it should mandate enhanced due diligence procedures. The GOS also should amend its AML laws to state explicitly that all offshore activity is regulated in the same manner and to the same degree as that onshore. The regulations should be actively enforced. The GOS also should consider codifying the ability to freeze assets rather than issuing restraining orders, and develop a cross-border currency reporting requirement that adheres to international norms.

Sierra Leone

Sierra Leone is not a regional financial center, but loose oversight of financial institutions, weak regulations, pervasive corruption and porous borders contribute to an atmosphere conducive to money laundering. Although drug smuggling is a problem in Sierra Leone, and Sierra Leone is a potentially attractive trans-shipment point for illegal drugs, there is reportedly little evidence that drug smuggling is a significant source of laundered money. Rather, money laundering activities are pervasive primarily in the diamond sector, in which diamonds themselves are often laundered. Due to the small-scale artisanal nature of the diamond mining industry, criminal activity is perpetrated primarily by individual domestic entities, as opposed to transnational cartels. Smuggling of goods, primarily pharmaceuticals, foodstuffs, gold, and diamonds, is rampant. Most transactions, money exchanges, and remittances are very informal and are, therefore, also vulnerable to money laundering. There is no indication money laundering activity in Sierra Leone is tied to terrorist financing.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: YES
KYC covered entities: Banks; financial leasing firms; money and currency exchanges; credit card, traveler’s check, and other financial instrument dealers; investment companies; insurance, merchant, and investment banks; and securities and commodities dealers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Nine from January - November 2010
Number of CTRs received and time frame: Not available
STR covered entities: Banks; financial leasing firms; money and currency exchanges; credit card, traveler’s check, and other financial instrument dealers; investment companies; insurance, merchant, and investment banks; and securities and commodities dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* YES
With other governments/jurisdictions: YES

Sierra Leone is a member of the Inter Governmental 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=24&mod=2&men=1#>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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Although the Government of Sierra Leone (GOSL) has made progress by passing the AML/CFT bill that had been stalled since April 2009, the GOSL needs to take action to ensure the legislation is enacted and its AML/CFT regime effectively implemented. In November 2011, the lack of progress prompted GIABA to publish a statement regarding Sierra Leone's failure to progress.

At the end of 2011, the revised Anti-Money Laundering and Combating of Financing of Terrorism Act (AMLCFTA) was pending. Once enacted, the AMLCFTA will provide that any person who leaves or arrives in Sierra Leone with more than 30 million leones (approx. \$6900), or equivalent, in unreported foreign currency or negotiable bearer instruments will be subject to fines. It also addresses the freezing of proceeds of a crime, the power to identify and trace tainted property, voidable transfers, and enhancement of suspicious activity information sharing.

The Bank of Sierra Leone is looking to improve its ability to use financial forensics and intelligence to monitor PEPs and other "sensitive" people, as well as assist in determining suspicious transactions. The Bank of Sierra Leone Act, 2011 defines the powers of the financial intelligence unit (FIU). While the FIU may request and obtain information it considers relevant to an unlawful activity, money laundering activities, or financing of terrorism, and has the authority to disclose any report to an institution or agency of a foreign state or an international organization if relevant to investigating or prosecuting a money laundering or terrorist financing offense, it lacks the capacity to monitor and regulate financial institution operations effectively. There is a low rate of compliance throughout the financial sector, particularly the recently licensed commercial banks headquartered in Nigeria. The Transnational Organized Crime Unit (TOCU) and the Attorney General's Office investigate reports made by the FIU. TOCU is authorized to undertake complete investigations and effect arrests, but general policing ability and understanding of the use of financial investigation and intelligence is still low. The Sierra Leone Police, National Revenue Authority, and Anti-Corruption Commission have very limited abilities to investigate money laundering crimes. The Attorney General's Office has limited investigative and arrest powers in its mandate. Limited resources and lack of training hamper law enforcement efforts in all arenas, including prosecutions.

The GOSL should criminalize terrorist financing, continue its efforts to counter smuggling, tighten its borders, and regulate sectors which are vulnerable to money laundering. The GOSL should ratify the UN Convention against Transnational Organized Crime.

Singapore

Singapore is a major international financial and investment center as well as a major offshore financial center. Secrecy protections, a lack of routine large currency reporting requirements, and the size and growth of Singapore's private banking and assets management sector pose significant money laundering (ML) risks and make the jurisdiction a potentially attractive money laundering/terrorist financing destination for drug traffickers, transnational criminals, foreign corrupt officials, terrorist organizations and their supporters. 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 5, 2011, there were 39 offshore banks in operation, all foreign-owned. Singapore is a center for offshore private banking and asset management. Assets under management in Singapore total approximately S\$1.4 trillion (approximately \$1.09 trillion). As of June 2010, Singapore had at least \$300 billion in foreign funds under management. Singapore does not permit shell banks or anonymous accounts.

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Singapore has nine free trade zones (FTZs), six for seaborne cargo and three 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.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC 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

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 11,934 in 2010

Number of CTRs received and time frame: Not applicable

STR 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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 14 in 2010

Convictions: 18 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* 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 has a comprehensive suspicious transaction reporting regime and applies AML/CFT requirements to a broad range of financial institutions. Currently, there is no requirement for reporting large transactions, which limits the ability to track significant financial movements. Singapore should consider the adoption of such reporting.

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.

Slovak Republic

Slovakia is a transit and destination country for counterfeit and smuggled goods, stolen autos, value-added tax (VAT) fraud, and trafficking in persons, weapons and illegal drugs. Criminal activity is characterized by a high level of domestic and foreign organized crime, mainly from eastern and south-eastern Europe. A number of the same groups are also involved in laundering funds raised from these criminal activities. Trade-based money laundering and possible terrorist financing also occur in Slovakia. Funds from public corruption are not seen as a significant part of money laundering/terrorist financing. There are no offshore or free trade zones in Slovakia. Slovak authorities consider the transfer of undeclared cash across the borders to be a money laundering vulnerability. No alternative remittance systems are known to be widely used in Slovakia.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, the Export-Import Bank of the Slovak Republic, credit institutions, insurance companies, pension asset management companies, foreign currency exchanges, gambling/gaming operators, bankruptcy administrators, accountants, tax advisors, real estate agents, postal operators, real estate intermediaries, corporations (foundations, non-profit organizations, non-investment fund or other special corporations managing and distributing funds)

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 2,379 as of November 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, the Export-Import Bank of the Slovak Republic, credit institutions, insurance companies, pension asset management companies, foreign currency exchanges, gambling/gaming operators, bankruptcy administrators, accountants, tax advisors, real estate agents, postal operators, real estate intermediaries, corporations (foundations, non-profit organizations, non-investment fund or other special corporations managing and distributing funds)

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 35 in 2010

Convictions: Six in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdiction: YES

The Slovak Republic is a member of the 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:

www.coe.int/t/dghl/monitoring/moneyval/Countries/Slovakia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Act No. 101/2010 Coll. on the Proof of Origin of Property, effective January 1, 2011, introduces the tool of non-conviction based confiscation within civil procedures, and stipulates conditions and procedures for public authorities in forfeiture of property.

In December 2011, amendment to Act No. 492/2009 Coll. on payment systems introduces several changes to AML/CFT Law No. 297/2008 Coll. on the Prevention of Legalization of Proceeds of Criminal Activity and Terrorist Financing, including specification and expansion of reporting entities. Although suspicious transaction reporting relating to terrorist financing is supported in current legislation, it is only mandated at a minimum level. The current definition needs to be expanded and further specified in legislation. In addition, it appears that law enforcement efforts are not sufficiently focused on serious money laundering offenses, as recent cases demonstrate a considerable focus on stolen car investigations. Rather, there is little evidence showing that money laundering investigations are being used to prosecute organized crime, which is a significant problem in Slovakia.

Slovakia should also provide capacity enhancing materials to non-financial businesses and professions and improve supervision of these entities to ensure they meet their obligations.

Slovenia

Slovenia is not a major narcotics producer, but is a transit country for drugs moving via the Balkans to Western Europe. The Government of Slovenia (GOS), aware of Slovenia's geographic attractiveness as a potential transit country for drug smugglers, continues to pursue active counter-narcotics policies. Other predicate offenses of concern include business and tax fraud.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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KYC covered entities: Banks, agricultural credit institutions, lawyers, money changers, notaries, gaming centers, securities dealers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 233 in 2010

Number of CTRs received and time frame: 15,400 in 2010

STR covered entities: Banks, agricultural credit institutions, lawyers, money changers, notaries, gaming centers, securities dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 55 in 2010

Convictions: None in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES

With other governments/jurisdictions: YES

Slovenia is a member of the 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/Slovenia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The bases of Slovenia's anti-money laundering measures are the Slovenian Criminal Code, the Act on the Prevention of Money Laundering and Financing of Terrorism and sector-specific laws. There are no major deficiencies in key preventive standards. Slovenia has systems and procedures in place to facilitate both national and international cooperation. Weak supervision and lack of guidance to certain non-banking sectors could have an impact on the effectiveness of the anti-money laundering/counter-terrorist finance regime.

Solomon Islands

Solomon Islands (SI) is not considered a major financial center. It has a relatively stable banking system closely integrated with the financial systems of Australia and New Zealand. Smuggling, environmental crimes, public corruption, and the proliferation of counterfeit goods are problems in SI. According to a risk assessment conducted by the Royal Solomon Islands Financial Intelligence Unit, money laundering is most often associated with the following crimes in order of frequency of the crime: corruption, fraud, logging, fishing, forgery, sex trade, revenue evasion, drugs, organized crime and counterfeit currency. SI is developing its anti-money laundering/counter-terrorist financing (AML/CFT) countermeasures.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, credit or lending services, currency exchanges, remittance services, insurers and insurance intermediaries, securities dealers, futures brokers, and trustees and managers of unit trusts

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, credit or lending services, currency exchanges, remittance services, insurers and insurance intermediaries, securities dealers, futures brokers, and trustees and managers of unit trusts

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES

With other governments/jurisdictions: YES

Solomon Islands is a member of the Asia/Pacific Group on Money Laundering, 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/SOLOMON%20ISLANDS%20DAR_FINAL.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the Solomon Islands should continue its work to develop procedures to conform to international AML/CFT standards. The SI should become party to the UN Convention against Transnational Organized Crime and the 1988 UN Drug Convention.

Somalia

Somalia has essentially been without a functioning central government since 1991 and continues to be viewed as the world's quintessential failed state. The Transitional Federal Government (TFG) now largely controls almost all of the country's capital as well as pockets of some regions. Many ministries exist in name only or have non-functioning, mostly unpaid staff. Due to its lack of a public regulatory system and its inaccessibility, little is known about money laundering in Somalia. No anti-money laundering/counter-terrorist financing (AML/CFT) laws exist. There is some evidence that piracy proceeds from Somalia make their way to Dubai and Nairobi. Piracy ransoms, much of which reportedly remains as cash, are delivered through cash drops to pirates off Somalia's coast. Anecdotal reports indicate ransom payments finance real estate, luxury goods and businesses.

Public corruption is rampant and significantly facilitates money laundering. For example, some government officials in Somalia's northern region of Puntland are reportedly benefiting from pirate ransoms. They may facilitate ransom laundering or the transfer of ransom money to neighboring countries or globally.

The financial system in Somalia operates almost completely outside of government oversight, either on the black market or via money/value transfer services (MVTs), particularly hawalas. Smuggling is

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rampant. Somalia has one of the longest land borders as well as the longest coastline in Africa. The TFG and local officials are unable to maintain control over these points of entry, and goods flow in and out of Somalia unchecked.

Somalia is also a center for terrorist financing. Al-Shabaab, a U.S.-designated international terrorist organization, maintains headquarters in the country. Its insurgency against the TFG is financed externally, including by the global Somali diaspora and business community. Some funds enter as cash, but a significant portion reportedly passes through hawalas and other MVTS. There are also occasional reports of U.S. dollar counterfeiting in al-Shabaab-controlled areas as well as reports of al-Shabaab extorting ransom payments from pirates. Al-Shabaab operations are also financed through extortion schemes targeting private citizens, local businesses, seaports under the group's control, and diversion of development and humanitarian assistance funds.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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 criminalized
Legal persons covered: *criminally:* Not applicable *civilly:* Not applicable

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO
KYC covered entities: Not applicable

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not applicable
Number of CTRs received and time frame: Not applicable
STR covered entities: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None
Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* 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:

The legal system in Somalia is composed of traditional courts (“xeer”), a variety of local and regional court systems as well as a system with both civilian and military courts under the TFG. There are no AML/CFT laws, and the financial regulations that do exist are unenforceable given the lack of policing and investigative capacity and Somalia's insecurity.

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Somalia essentially lacks a formal financial sector, and there are no functioning government regulatory agencies. Consequently, formal financial institutions and the MVTs sector in Somalia are not subject to KYC programs under Somali law. There are virtually no financial record keeping requirements enforced by the Somali government, nor are there suspicious transaction or large currency transaction reporting requirements. International standards, to the extent they exist, 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 Ministry of Finance and Treasury lacks the capacity, including financial, technical and human resources, to investigate money laundering and terrorist financing. There were no arrests for money laundering in 2011. In one 2010 case, a suspected terrorist financier bringing bulk cash into Somalia was interdicted; in another, incoming counterfeit U.S. dollars were seized at Mogadishu International Airport. It is not clear what happened to the perpetrators; either indefinite detentions or quick releases are endemic, given Somalia's inadequate judicial system.

Somalia has no laws requiring forfeiture of criminal proceeds or terrorist funds. No government entities are charged with, or capable of tracking, seizing, or freezing illegal assets. Somali businesses do not coordinate with the government with regard to illegal transactions. The TFG has called on regional governments to help stem the flow of terrorist financing, including requesting local governments to trace, freeze, and seize funds and finances related to and in support of al-Shabaab.

Somalia does not have any mechanisms in place under which to share information related to financial crimes, money laundering, and terrorist financing with the U.S. or with other developed countries. The lack of AML/CFT laws, regulatory bodies, and enforcement mechanisms to counter money laundering and financial crimes is due to a lack of capacity within the TFG, and not the lack of political will. Obstacles to enacting and implementing AML/CFT laws include the TFG's limited territorial control, threats to the government by the al-Shabaab insurgency, lack of capacity at all levels of government, and insufficient policing and investigative capacity.

South Africa

South Africa's position as the major financial center in the region, its sophisticated banking and financial sector, and its large, cash-based market make it vulnerable to exploitation by transnational and domestic crime syndicates. The largest source of laundered funds in the country is proceeds from the narcotics trade. Fraud, theft, racketeering, corruption, currency speculation, credit card skimming, poaching, theft of precious metals and minerals, human trafficking, stolen cars, and smuggling are also sources of laundered funds. Many criminal organizations are also involved in legitimate business operations. There is a significant black market for smuggled and stolen goods. In addition to criminal activity by South African nationals, observers note criminal activity by Nigerian, Pakistani, Andean and Indian drug traffickers, Chinese triads, Taiwanese groups, Bulgarian credit card skimmers, Lebanese trading syndicates, and the Russian mafia.

South Africa is not an offshore financial center, nor does it have free trade zones. South Africa does operate Industrial Development Zones (IDZs). Imports and exports related to manufacturing or processing in the zones are duty free, provided that the finished product is exported. IDZs are located in Port Elizabeth, East London, Richards Bay, and Johannesburg International Airport. The South African Revenue Service monitors the customs control of these zones.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, credit institutions, post office banks, foreign exchange dealers, securities traders and brokers, entities that issue travelers checks, real estate agents, gambling institutions, gold dealers, attorneys, second hand car dealers, and money lenders

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 36,990 - April 1, 2010 - March 31, 2011
Number of CTRs received and time frame: 4,227,253 - October 4, 2010 - October 4, 2011
STR covered entities: Banks, credit institutions, post office banks, foreign exchange dealers, securities traders and brokers, entities that issue travelers checks, real estate agents, gambling institutions, gold dealers, attorneys, second hand car dealers, and money lenders

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

South Africa is a member of the Financial Action Task Force (FATF) and the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/60/15/42432085.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

South Africa’s AML/CFT regime has a solid legal and regulatory framework. However, there are gaps in enforcement of the reporting requirements, due in part to South Africa’s large informal and cash-based economy. Over recent years, South Africa has recognized the vulnerability posed by this, and has embarked upon financial inclusion initiatives.

South Africa’s FIU, known as the Financial Intelligence Centre (FIC), is a capable authority working to enhance its effectiveness by providing high-quality, timely and actionable financial intelligence rather than larger volumes of lower-quality intelligence, much of which cannot be acted upon. During 2010/11, the Financial Intelligence Centre (FIC) identified various direct connections between criminal conduct and financial benefit, and froze just over R6.7 million (approx. \$844,380) in bank accounts.

The capacity of South Africa’s law enforcement authorities needs improvement. While money laundering is a specific offense under the South African penal code, it is not often charged as a stand-alone offense. Instead, prosecutors typically include money laundering as a secondary charge in conjunction with other

offenses. Accordingly, South Africa does not generally keep separate statistics for money laundering-related prosecutions, convictions, or forfeited assets.

South Africa has been working to improve its AML/CFT regime. Its focus on the risk-based approach (RBA) is designed to target high-impact cases involving large amounts of money and greater numbers of people. The Government of South Africa should continue to implement its initiatives and improvements on financial inclusion, its application of the RBA, and enhancing the FIC. South Africa should also work to improve its law enforcement and prosecutorial capacity and ensure that its respective AML/CFT authorities keep statistics, as required by international standards.

South Sudan

On July 9, 2011, the Republic of South Sudan became the world's 193rd country. South Sudan borders a number of jurisdictions in various states of conflict or lacking strong authorities. While the Government of South Sudan (GOSS) has developed in many areas, much remains to be accomplished in this fledgling state. South Sudan is not a major financial center, and as such, there is little major financial crime; however, corruption is widespread. The GOSS does not yet have significant laws, regulations, or enforcement capacity in place to address financial crimes. With no AML/CFT regime, and its large and porous borders, South Sudan is vulnerable to exploitation by criminals of every type, including those seeking illicit routes to transport money via bulk cash smuggling and those wishing to perpetrate other forms of financial crime.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO
KYC covered entities: Not applicable

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not applicable
Number of CTRs received and time frame: Not applicable
STR covered entities: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None
Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO
With other governments/jurisdictions: NO

South Sudan is not a member of a Financial Action Task Force (FATF)-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The GOSS is working to address capacity issues generally and has embarked upon anticorruption initiatives, but money laundering and terrorist financing have not yet been part of South Sudan's current agenda. Neither money laundering nor terrorist financing have been criminalized. There are no laws or regulations currently in place to address fundamental banking issues, and no law enforcement mechanisms or authorities to address financial crimes, including money laundering. These issues may surface in 2012 when the Banking Act and Foreign Exchange Business Act is expected to be considered for adoption. The Bank of South Sudan also may adopt a new circular requiring all financial institutions to regularly submit information on domestic and foreign exchange transactions over a threshold amount. However, it has not been determined whether such a circular would be enforceable, or who would have the necessary tools to enforce it. The issuance of such a circular would at best be a temporary measure and not comprehensive by any means. A segment of the South Sudanese security forces has been tentatively identified to work on financial crimes but lacks staff and has had little training on not only financial crimes, but also police procedure in general. The Judiciary is significantly understaffed, and is in the process of preparing to adopt a common law system. There are no courts or prosecutors currently assigned to work on financial crimes.

Spain

Spain is a major European center of money laundering activities as well as an important gateway for illicit narcotics entering Europe, although the serious focus of Spanish law enforcement on combating organized crime, drug trafficking, and money laundering during the past five years has reduced the country's attractiveness as an entry point. Drug proceeds from other regions enter Spain as well, particularly proceeds from hashish from Morocco and cocaine from Latin America. Passengers traveling from Spain to Latin America reportedly smuggle sizeable sums of bulk cash. Informal money transfer services facilitate cash transfers between Latin America, particularly Colombia, and Spain. Spanish security forces reportedly discovered at least 119 organized crime groups (including Russian, Eurasian, Chinese, and Italian groups) operating in the country that were engaging in money laundering during 2010. Of the 175 police investigations against money laundering in 2010, 58% were linked to drug trafficking, particularly of cocaine, heroin, and hashish; 17% involved political corruption; while 12% were related to value added tax fraud, mainly involving vehicle trafficking. Tax evasion in internal markets also continues to be a source of illicit funds in Spain.

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. Criminal groups also place money in other sectors, including services, communications, automobiles, art work, and the financial sector.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC 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

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 3,172 in 2010

Number of CTRs received and time frame: 707,968 in 2010

STR covered entities: Banks, professional money changers, credit intermediaries, payment systems and managers, and lending firms; life insurance entities and insurance companies that provide investment services; securities and investment service companies, collective investment, pension fund, and risk capital managers; mutual guarantee companies; postal wire services; real estate brokers, agents and developers; auditors, accountants, and tax advisors; notaries and registrars of commercial and personal property; lawyers, attorneys, or other independent professionals when acting on behalf of clients in financial or real estate transactions; company formation and business agents; trustees; casinos, gaming and lottery enterprises; dealers of jewelry, precious stones and metals, art, and antiques; safekeeping or guaranty services; and foundations and associations

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** 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/59/15/46253063.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 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.

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Spanish law does not allow civil forfeiture. The Finance Ministry, as the sanctioning organ, opened 580 investigations in 2010 for cash movements. Forty million euros (approximately \$52.7 million) were initially confiscated; 20 million euros (approximately \$26.3 million) were ultimately retained as fines. During the first half of 2011, 250 cases were opened and over 10 million euros (approximately \$13.2 million) were confiscated. Carrying more than 100,000 euros (approximately \$131,700) in cash within the country is not allowed. If the authorities discover an amount larger than that, they can seize and hold it until proof of legal origin is provided. According to press reports, the police and civil guard opened 175 investigations in 2010.

On April 29, 2010, Spain enacted Law 10/2010, on preventing money laundering and terrorist financing. The law 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. Additionally, the law greatly enhances authorities' capacity to combat terrorist financing by placing greater requirements on financial institutions and other businesses, and by strengthening penalties and monitoring and oversight. The new law entered into force immediately; however, implementing regulations will not be approved until 2012; until then, many of its provisions are not being implemented. The Spanish government is waiting for the approval of the new FATF Recommendations to develop the implementing regulations in conformity with international standards. In the interim, the implementing regulations for Law 19/1993, updated in 2005, remain in force.

In 2010, the Financial Crimes Enforcement Network (FinCEN), the financial intelligence unit of the U.S., suspended information sharing with its Spanish counterpart, the Executive Service for the Prevention of Money Laundering (SEPBLAC) due to an apparent unauthorized disclosure of FinCEN information by SEPBLAC. SEPBLAC has addressed the improper disclosure issues and has taken steps to ensure the protection of FinCEN's information, including negotiating an updated version of a memorandum of understanding (MOU) with FinCEN. FinCEN will resume information exchange with SEPBLAC after signing the MOU. The security forces and the judiciary exchange information with the U.S. related to money laundering.

A working group has been created within the Commission for the Prevention of Money Laundering to promote the collection of statistics. Currently this information is not centrally collected. Spain should maintain and disseminate statistics on investigations and prosecutions.

Sri Lanka

Sri Lanka is neither an important regional financial center nor a preferred center for money laundering. However, the lack of transparent tender mechanisms in government projects, past experience with terrorism, tax evasion, and a large informal economy make the country vulnerable to money laundering and terrorist finance. The Government of Sri Lanka (GOSL) is aware of terrorism financing risks.

As noted in the October 2011 Financial Action Task Force (FATF) Public Statement, Sri Lanka still has certain strategic AML/CFT deficiencies, despite its enactment of AML/CFT legislative amendments. Sri Lanka's action plan includes adequately criminalizing terrorist financing, addressing remaining deficiencies with regard to the criminalization of money laundering, and establishing and implementing adequate procedures to identify and freeze terrorist assets.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, registered finance companies, insurance companies, securities industry entities

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 246 from January – December 2010

Number of CTRs received and time frame: Over 3 million from January – December 2010

STR covered entities: Banks, registered finance companies, insurance companies, securities industry entities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Three from January to December 2011

Convictions: Not Available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* NO

With other governments/jurisdictions: YES

Sri Lanka is a member of Asia/Pacific Group on Money Laundering, a FATF-style regional body. Its most recent mutual evaluation can be found here:

<http://www.apgml.org/documents/docs/17/Sri%20Lanka%20MER%20-%20Final%2010August06.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The GOSL has demonstrated a high-level political commitment to address deficiencies in its AML/CFT regime. The GOSL amended the Prevention of Money Laundering Act and the Convention on the Suppression of Terrorist Financing Act in September 2011, which strengthens the legal regime by removing several deficiencies in the criminalization of money laundering, although the predicate offense of piracy is not addressed. While the terrorist financing amendment provides adequate procedures to identify and freeze terrorist assets, it exempts the financing of terrorists and terrorist organizations for humanitarian reasons from the list of offenses.

Although AML/CFT laws cover non-financial entities such as casinos, real estate agents, dealers in precious metal and stones, lawyers and trusts or company service providers, no regulator has issued KYC or CTR policies covering these institutions. These entities are not required to maintain customer information or report suspicious activity. Politically exposed persons (PEPs) are addressed in new customer due diligence regulations published in March 2011.

St. Kitts and Nevis

St. Kitts and Nevis (St. Kitts) is a federation composed of two islands in the Eastern Caribbean. While law enforcement appears competent, the federation is at major risk for corruption and money laundering due to the high volume of narcotics trafficking activity through and around the island, and the presence of known traffickers on the islands. The growth of its offshore sector (with unusually strong secrecy laws) and an inadequately regulated economic citizenship program further contribute to the federation's money laundering vulnerabilities.

St. Kitts uses the East Caribbean dollar, and its monetary authority is the Eastern Caribbean Central Bank (ECCB). The ECCB has direct responsibility for regulating and supervising the entire domestic sector of St. Kitts and Nevis and the offshore banks in Nevis, and for making recommendations regarding approval of offshore banking licenses. By law, all offshore banks are required to have a physical presence in the federation; shell banks are not permitted. Seven other island economies are also members of the ECCB: Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St Lucia, and St Vincent and the Grenadines. The existence of the 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 a federation, the anti-money laundering (AML), counter-terrorist financing (CFT), and offshore legislation covers both St. Kitts and Nevis; however, each island has the authority to organize its own financial structure. With most of the offshore financial activity concentrated in Nevis, it has independently developed its own offshore legislation. Information about the scale of the financial services is difficult to obtain, but 2010 numbers may be illustrative: St. Kitts had licensed approximately 36 corporate service providers, three trust providers, 116 captive insurance companies and over 2,100 companies and foundations. By contrast, Nevis had over 11,000 international business companies (IBC), 4,200 limited liability companies, over 1,000 trusts and over 110 insurance companies. Nevis can form an IBC in under 24 hours, and bearer shares are allowed though "discouraged". Internet gaming entities must apply for a license as an IBC.

The Ministry of Finance oversees St. Kitts and Nevis' Citizenship by Investment Program. An individual may qualify for citizenship with a \$350,000 minimum investment in real estate. In addition, the Government of St. Kitts and Nevis (GOSKN) created the Sugar Industry Diversification Foundation (SIDF), after the closure of the federation's sugar industry, as a special approved project for the purposes of citizenship by investment. To be eligible, an applicant must make a contribution ranging from \$200,000 to \$400,000 (based on the number of the applicant's dependents). The GOSKN requires applicants to make a source of funds declaration and provide evidence supporting the declaration. According to the GOSKN, the Ministry of Finance has established a Citizenship Processing Unit to manage the screening and application process.

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 ***civily:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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KYC covered entities: Money brokers, exchanges, and lenders; charities and other non-profit organizations; pawnshops, jewelers and dealers of precious metals and stones; banks (domestic & offshore); real estate businesses; insurance companies; credit unions and building societies; money transmission services; venture risk capital firms; accountants; casinos; trust businesses; business corporations; and lawyers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 131 for 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Money brokers, exchanges, and lenders; charities and other non-profit organizations; pawnshops, jewelers and dealers of precious metals and stones; banks (domestic & offshore); real estate businesses; insurance companies; credit unions and building societies; money transmission services; venture risk capital firms; accountants; casinos; trust businesses; business corporations and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None in 2011

Convictions: None in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

St. Kitts and Nevis 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/St.Kitts_Nevis_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/St.Kitts_Nevis_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2011, the Proceeds of Crime Act was amended to expand the time for which law enforcement could detain funds seized on suspicion of money laundering. Additionally, provision is made in the law to allow proceeds of money laundering, drug trafficking or some other unlawful activity to be forfeited to the Crown even where no actual conviction in the matter has occurred. The amendments also criminalize tipping off when it concerns an investigation into money laundering, the proceeds of crime or some related activity, or the filing of a STR. Similar amendments were made to the Anti-Terrorism Act.

The GOSKN also improved its law on terrorist designations and increased the power of law enforcement with regard to different forms of electronic and other surveillance techniques. Changes were also made to expand the definition of property to specifically include instrumentalities used in or intended for use in the commission of a money laundering, terrorist financing or other offense.

In September, through new regulations added to the Financial Services Regulations, the Financial Services Regulatory Commission was given overall supervision authority for both money laundering and terrorist financing matters.

Bearer shares are permitted provided the bearer share certificates are retained in the safe custody of persons or financial institutions authorized by the Minister of Finance. Legislation requires certain identifying information to be maintained about bearer certificates, including the name and address of the bearer as well as the certificate's beneficial owner. All authorized custodians are required by law to obtain proper documents on shareholders or beneficial owners before incorporating exempt or other

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offshore companies. This information is not publicly available but is available to the regulator and other authorized persons.

The secrecy laws, the allowance of anonymous accounts, the lack of transparency of beneficial ownership of legal entities, and a weak regulatory framework concerning customer due diligence make Nevis, in particular, a haven for criminals to conceal their proceeds. The GOSKN should work toward improving these areas. St. Kitts and Nevis also should more precisely determine the exact number of Internet gaming companies present on the islands and provide the necessary oversight of these entities. The GOSKN should provide for close supervision of its economic citizenship programs or else consider their discontinuance.

St. Lucia

Money laundering in St. Lucia is primarily related to the proceeds from illegal narcotics and to some extent the proceeds from financial and commercial crimes. Government officials believe most of the criminal proceeds laundered in the jurisdiction derive from both domestic and foreign criminal activity and are controlled by drug trafficking organizations and organized criminal groups who operate both locally and abroad.

A significant black market exists for smuggled goods in St. Lucia, mostly gold, silver and other jewelry smuggled into St. Lucia from Guyana and sold by precious metals dealers without customs documentation for their importation. There is also a black market of high quality jewelry being purchased by locals and others from duty free establishments in St. Lucia. Black market and contraband smuggling generate huge profits to smugglers and duty free stores. These funds are deposited into the financial system as emanating from legitimate trade and are used to purchase real estate and vehicles through the financial system.

Trade based money laundering is also a significant concern and is used by drug trafficking and other illicit enterprises. There is no evidence such activities are tied to terrorism financing. There is a free trade zone and this is suspected to be a considerable source of vulnerability as financial institutions may wittingly or unwittingly engage in currency transactions involving international narcotics trafficking proceeds.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, building societies, and credit unions; insurance companies; international financial services companies; finance and lending companies; factors, guarantors, and registered agents; exchange bureaus; investment advisers; cash remittance services; postal and other courier services; real estate businesses; car dealerships; casinos, gaming houses, and Internet gaming services; jewelers and bullion dealers; custodial, advice, and nominee services; check cashing services; financial leasing; venture risk capital; administrators and issuers of financial instruments, credit cards, travelers’ checks and bankers’ drafts; money brokers; financial intermediaries; securities

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brokers and underwriters; investment and merchant banks; asset management services; trusts, trustees, and other fiduciary services; company formation and management services; collective investment schemes and mutual funds; lawyers; and accountants

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 99 from January to October 2011

Number of CTRs received and time frame: Not available

STR covered entities: Banks, building societies, and credit unions; insurance companies; international financial services companies; finance and lending companies; factors, guarantors, and registered agents; exchange bureaus; investment advisers; cash remittance services; postal and other courier services; real estate businesses; car dealerships; casinos, gaming houses, and Internet gaming services; jewelers and bullion dealers; custodial, advice, and nominee services; check cashing services; financial leasing; venture risk capital; administrators and issuers of financial instruments, credit cards, travelers' checks and bankers' drafts; money brokers; financial intermediaries; securities brokers and underwriters; investment and merchant banks; asset management services; trusts, trustees, and other fiduciary services; company formation and management services; collective investment schemes and mutual funds; lawyers; and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: One in 2011

Convictions: None in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

St. Lucia is a member of 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/Saint_Lucia_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Saint_Lucia_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In May 2011, the Government of St Lucia (GOSL) amended its money laundering acts to allow the Board of the Financial Intelligence Authority to appoint a Director and such other support personnel as the Authority considers necessary and to permit the Financial Intelligence Authority to disseminate information to the Customs and Excise Department, the Inland Revenue Department, the Commissioner of Police and the Director of Public Prosecutions. Additional amendments to the Proceeds of Crime Act allow police officers to seize and detain cash where there are reasonable grounds for suspecting the cash represents proceeds of criminal conduct or is intended for use in criminal conduct. It is too early to ascertain the effects of these changes.

On November 18, 2011, St. Lucia became party to the International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Corruption.

The GOSL should continue its White Collar Crime Task Force under the auspices of the Office of the Attorney General. The GOSL also should become a party to the UN Convention against Transnational Organized Crime.

St. Maarten

In late 2010, Sint Maarten (St. Maarten) became an autonomous entity within the Kingdom of the Netherlands (KON). St. Maarten enjoys autonomy on most internal matters and defers to the Kingdom of the Netherlands in matters of defense, foreign policy, final judicial review, human rights, and good governance.

The combating of drug trafficking is an ongoing concern for St. Maarten. Money laundering is primarily related to proceeds from illegal narcotics. Bulk cash smuggling and trade based money laundering may be a problem due to the close proximity of other Caribbean islands and the French part of the island, Saint Martin, which is a free trade zone.

The scale of the offshore banking and business sector is unknown. There are several casinos on the island and online gambling is legal.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Not available

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 5095 – January - October 2011

Number of CTRs received and time frame: Not available

STR covered entities: Banks, law offices, insurance companies, casinos, Customs, money remitters, Central Bank, trust companies, accountants, car dealers, administrative offices, Tax Office, jewelers, credit unions, real estate businesses, notaries, exchange offices (Change point), effects agents

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES

With other governments/jurisdictions: YES

St. Maarten is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force (FATF)-style regional body. No evaluations have taken place since it became an autonomous entity.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Until a mutual evaluation is completed, it is difficult to evaluate the effectiveness of St. Maarten’s anti-money laundering/counter-terrorist financing regime.

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Under the former Netherlands Antilles jurisdiction, most governmental organizations were based in Curacao. Following the dissolution of the Netherlands Antilles, Sint Maarten created its own FIU under the Ministry of Justice. The FIU has begun to seek out international partners who would be willing to sign memoranda of understanding for information exchange and is pursuing membership in the Egmont Group of FIUs. St. Maarten is in the process of establishing new organizations such as a Central Bank, Tax Office Criminal Investigation Unit, and Financial Investigation Department. The St. Maarten government has begun the process of setting up these institutions.

The previous Government of the Netherlands Antilles demonstrated a commitment to combating money laundering. The new St. Maarten Government should ensure it follows up on that commitment. It therefore should see to the continuous enforcement of regulations and supervision of the off-shore sector and casinos, as well as pursuing money laundering investigations and prosecutions. The Government should work to improve the local police force (e.g., including financial specialists), the Intelligence Service and the FIU to provide them the capacity to investigate and successfully prosecute money laundering and terrorist financing cases.

The Mutual Legal Assistance Treaty between the KONA and the U.S. applies to St. Maarten.

St. Maarten is part of the Kingdom of the Netherlands and cannot sign or ratify international conventions in its own right. Rather, the Netherlands may arrange for the ratification of any convention to be extended to St. Maarten. The 1988 Drug Convention was extended to St. Maarten in 1999. The International Convention for the Suppression of the Financing of Terrorism was extended to the Netherlands Antilles, and as successor, to St. Maarten in 2010. The UN Convention against Transnational Organized Crime and the UN Convention against Corruption have not yet been extended to St. Maarten.

St. Vincent and the Grenadines

St. Vincent and the Grenadines (SVG) is a small but active offshore financial center with a relatively large number of international business companies (IBCs). The country remains vulnerable to money laundering and other financial crimes as a result of drug trafficking and its offshore financial sector. Money laundering is principally affiliated with the production and trafficking of marijuana in SVG, as well as the trafficking of other narcotics from within the Caribbean region. Money laundering occurs in various financial institutions such as domestic and offshore banks and money remitters.

In some instances United States currency has been smuggled into the jurisdiction using couriers, go-fast vessels and yachts. In several cases these monies have been intercepted, and it was found that the operations generating these illicit proceeds have more of a regional rather than an international origin. Originating jurisdictions include Venezuelan nationals, Bermuda, and the US Virgin Islands.

The offshore sector includes four offshore banks, 9,601 IBCs, eight offshore insurance companies, 103 mutual funds, 23 registered agents, and 119 international trusts. There are no offshore casinos, and no Internet gaming licenses have been issued. No physical presence is required for offshore sector entities and businesses, with the exception of offshore banks. Nominee directors are not mandatory except when an IBC is formed to carry on banking business. Bearer shares are permitted for IBCs but not for banks. The Government of St. Vincent and the Grenadines (GOSVG) requires registration and custody of bearer share certificates by a registered agent who must also keep a record of each bearer certificate issued or deposited in its custody. The Offshore Finance Inspector has the ability to access the name or title of a customer account and confidential information about a customer in possession of a license. There are no free trade zones in SVG.

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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 crime: All serious crimes

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC Covered entities: Banks, lenders, and factoring firms; check cashing and money transmission services; financial leasing firms; venture risk capital; issuers and administrators of credit cards, travelers checks and bankers’ drafts; guarantors and underwriters; money market instrument, foreign exchange and bullion dealers; money brokers; financial intermediaries; securities brokers and underwriters; investment and merchant banks; asset management services; custody, trust and other fiduciary services; company formation and management services; collective investment schemes and mutual funds; car dealerships; jewelers; real estate agents; casinos, internet gambling, pool betting, and lottery agents; lawyers and accountants; and charities

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received for 2011: 244 as of October 31, 2011

Number of CTRs received for 2011: Not available

STR covered entities: Banks, lenders, and factoring firms; check cashing and money transmission services; financial leasing firms; venture risk capital; issuers and administrators of credit cards, travelers checks and bankers’ drafts; guarantors and underwriters; money market instrument, foreign exchange and bullion dealers; money brokers; financial intermediaries; securities brokers and underwriters; investment and merchant banks; asset management services; custody, trust and other fiduciary services; company formation and management services; collective investment schemes and mutual funds; car dealerships; jewelers; real estate agents; casinos, internet gambling, pool betting, and lottery agents; lawyers and accountants; and charities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Three in 2011

Convictions: None in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

St. Vincent and the Grenadines 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/Saint_Vincent_&_the_Grenadines_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Saint_Vincent_&_the_Grenadines_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Officials should pass pending amendments to the Proceeds of Crime and Money laundering (Prevention) Act in order to strengthen STR reporting, prohibit tipping off and criminalize self-laundering. In addition, amendments to the Financial Intelligence Unit Act should be passed to allow the FIU to obtain

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appropriate law enforcement and other governmental information needed to develop intelligence and analysis.

In addition, officials should address civil forfeiture, strengthen provisions dealing with enhanced due diligence for PEPs, raise the capacity of those in the financial sector, and provide clearer guidance to designated non-financial businesses and professions on how to keep records and identify suspicious transactions.

The GOSVG should become a party to the UN Convention against Corruption.

Sudan

Sudan became two states on July 09, 2011, resulting in Sudan (rump Sudan) and a new country, South Sudan. Ongoing conflicts in South Kordofan, Blue Nile, and Darfur states, a lack of basic infrastructure in many rural areas, and a reliance by much of the population on subsistence agriculture, ensures that much of the population will remain at or below the poverty level for years to come. Sudan currently has limited access to international financial markets and institutions because of comprehensive U.S. economic sanctions. Traders and other legitimate business persons often carry large sums of cash because electronic transfer of money outside of Sudan is challenging. This dependence on large amounts of cash can complicate enforcement efforts.

Sudan has been designated a State Sponsor of Terrorism by the United 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.: 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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Commercial banks, exchange and brokerage firms, securities firms, insurance companies, gambling clubs, estate brokerages, mineral and gem traders, attorneys, and accountants

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 16 as of July 9, 2011

Number of CTRs received and time frame: Not available

STR covered entities: Commercial banks, exchange and brokerage firms, securities firms, insurance companies, gambling clubs, estate brokerages, mineral and gem traders, attorneys, and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None in 2011

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* NO

With other governments/jurisdictions: YES

Sudan is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force (FATF)-style regional body. A MENAFATF mutual evaluation on-site visit took place in December 2011. Once finalized, the report can be found here: www.menafatf.org

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Sudan's links with international terrorist organizations led to Sudan's 1993 designation as a State Sponsor of Terrorism. In October 1997, the U.S. imposed comprehensive economic, trade, and financial sanctions against Sudan.

In 2011, the Government of Sudan continued its efforts to raise its approach to combating money laundering and other financial crimes to international standards. The financial intelligence unit and the Central Bank of Sudan concentrated on implementation of the Money Laundering and Terrorism Financing Act (MLFTA) of 2010. The Central Bank published a circular in January 2011 with updated know your customer regulations. It is unclear whether all of the implementing regulations for the MLFTA are enforceable. In March 2011, the Central Bank held the first meeting of the compliance officers network with representatives from commercial banks and other financial institutions.

Still, shortcomings exist. Investigatory capacity is limited, and enforcement can be subject to political pressures. After the split between South Sudan and Sudan, both countries introduced new currencies, accompanied by inconsistent and, at times contradictory, guidance for redeeming the old currencies. Large volumes of cash transactions in the period between July and September were commonplace and overwhelmed attempts to police the nature of the dealings.

Going forward, Sudan must focus on full implementation of the new law, and establishing and empowering effective enforcement institutions, particularly the financial intelligence unit. Sudan should become a party to the UN Convention against Corruption.

Suriname

Suriname is not a regional financial center. Narcotics-related money laundering is closely linked to transnational criminal activity related to the transshipment of cocaine to the United States, Europe, and Africa. Domestic drug trafficking organizations and organized crime, with links to international groups, are thought to control much of the money laundering proceeds, which are invested in casinos, real estate, cambios (foreign exchange companies), the construction sector and car dealerships.

Goods are smuggled into Suriname over the land/river borders with Guyana, Brazil, and French Guiana, as well as via vessels. Other goods are "smuggled" into Suriname via deceptive bills of lading, via the shipping ports. This is done mainly to avoid paying higher import duties. There is little evidence to suggest this is significantly funded by narcotics proceeds or other illicit proceeds. Contraband smuggling is not believed to generate funds that are laundered through the financial system.

Suriname is not an offshore financial center and has no free trade zones. Offshore banks and shell companies are not permitted. There is a thriving informal sector fueled by large profits from a growing small-scale gold mining sector and the industries that support it that may be vulnerable to money laundering. Suriname's significant informal economy is not linked to the majority of money laundering proceeds; rather, they are moved through various corporate entities within the formal economy.

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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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks and credit unions; asset managers; securities brokers and dealers; insurance agents and companies; currency brokers, remitters, and exchanges; auditors, accountants, notaries, lawyers, and real estate agents; dealers in gold or other precious metals and stones; gaming entities and lotteries; and motor vehicle dealers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks and credit unions; asset managers; securities brokers and dealers; insurance agents and companies; currency brokers, remitters, and exchanges; auditors, accountants, lawyers, notaries, and real estate agents; dealers in gold or other precious metals and stones; gaming entities and lotteries; and motor vehicle dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Suriname 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/mutual-evaluation-reports.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Concerns have been raised about the effectiveness and speed with which the Government of Suriname (GOS) is addressing international concerns about its money laundering and terrorist financing legislation. The government should swiftly work to address these concerns and provide additional data about its actions. The country should move quickly to fully implement customer identification (especially for politically exposed persons) and unusual transaction reporting procedures. Additionally, Suriname should ensure covered entities are subject to adequate supervision and enforcement programs. Additional efforts need to be made to ensure border enforcement. Customs and appropriate law enforcement need to investigate trade fraud and illicit value transfer. The GOS should become party to the International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Corruption.

Swaziland

Swaziland is not considered a regional financial center. The financial sector in the kingdom is small and dominated by subsidiaries of South African financial institutions. The small size of the country as well as its proximity to major cities in Mozambique and South Africa make it a transit country for illegal operations in those countries and, to some extent, in the rest of the Southern African region. Proceeds from the sale or trade in dagga (marijuana) may be laundered in Swaziland. Cash gained from the sale of marijuana and other illegal activities may be used to buy goods for retail outlets and to build houses on non-titled land.

There is a general belief that trade-based money laundering exists in Swaziland, and proceeds generated through corrupt activities are a major concern. In addition to narcotics, robbery, theft, fraud, counterfeit currency, forgery, corruption, real estate, tax evasion and customs evasion are major sources of illicit proceeds. Fraudulent cross-border bank transfers, checks, insurance claims and forged invoices, and debit card fraud are major crimes in the financial sector. A large amount of proceeds involve cross-border transactions through banks, casinos, investment companies, and savings and credit cooperatives. There is a significant black market for smuggled goods such as cigarettes, liquor, and pirated radio cassettes, videocassettes, and DVDs among Mozambique, South Africa and Swaziland. Swazi officials believe terrorist financing to be of little risk in the kingdom.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, securities firms, real estate brokers, cooperatives, provident fund managers, and insurance brokers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Approximately 240 in 2011
Number of CTRs received and time frame: None
STR covered entities: Banks and pension funds

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two ongoing
Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO
With other governments/jurisdictions: YES

Swaziland 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/Detailed-MER-for-the-Kingdom-of-Swaziland\(1\).pdf](http://www.esaamlg.org/userfiles/Detailed-MER-for-the-Kingdom-of-Swaziland(1).pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Swaziland has taken several important steps to establish an anti-money laundering/counter-terrorist financing (AML/CFT) regime. In 2011, the Government of the Kingdom of Swaziland (GOS) passed the Money Laundering and Financing of Terrorism (Prevention) Act which, among other things, provides for the establishment of a financial intelligence unit (FIU) and seeks to forge closer national cooperation and coordination among government institutions involved in money laundering and terrorist financing deterrence. However, the law has yet to come into force and, while the FIU has been established, it is not yet adequately staffed or fully operational. The authorities have not undertaken a money laundering risk assessment to determine the level of vulnerability.

The Royal Swaziland Police Service (RSPS) and the Anti-Corruption Commission (ACC) are the two main law enforcement agencies mandated to investigate money laundering offenses. The RSPS also is charged with investigating terrorist financing offenses. Swaziland has not successfully prosecuted money laundering or terrorist financing cases. According to officials, RSPS officers require additional training and capacity to be adequately prepared to investigate both money laundering and terrorist financing offenses. The GOS should take steps to improve the capacity of, and coordination among, the RSPS, the Anti-Corruption Commission, and the FIU.

The Common Monetary Area (CMA) provides a free flow of funds among the four member countries with no exchange controls. Countries signatory to the CMA are South Africa, Swaziland, Lesotho and Namibia. Cash smuggling reports are shared among host government agencies on an informal basis. There are no laws making the sharing mandatory.

Sweden

While Sweden is not a regional financial center, revenue and suspicious transactions increased from 2009 to 2010. According to statistics from the Swedish Financial Police, the amount of suspected money laundering transactions totaled \$1.2 billion in 2010 compared with \$882.8 million in 2009.

Money laundering in Sweden occurs either through individuals who use the financial system to turn over illicit funds, or with the help of corporations that use financial system services. Money laundering is further facilitated by criminals having contacts or acquaintances within, or influence over corporations and actors within the financial system. Laundered money emanates from narcotics, tax fraud, economic crimes, robbery, and organized crime. Money laundering is concentrated primarily in large urban regions, such as Stockholm, and is frequently conducted over the internet, utilizing international money transfer services, gaming sites, and narcotics and illicit chemical vending sites. Suspicious transaction reports (STRs) generally do not reference serious organized crime, although it is a growing concern. Public corruption is not an issue in Sweden.

Sweden does not have an offshore financial center. Sweden provides no offshore banking, and does not readily attract foreign criminal proceeds as it does not have especially favorable banking regulations. There is not a significant market for smuggled goods in Sweden; however, the Swedish police consider the smuggling of bulk cash to be a problem. Sweden is a member of the European Union, and money is moved freely within the union. Sweden has foreign trade zones with bonded warehouses in the ports of Stockholm, Göteborg, Malmö, and Jönköping. Goods may be stored for an unlimited time in these zones without customs clearance, but they may not be consumed or sold on a retail basis. Permission may be granted to use these goods as materials for industrial operations within a free trade zone. The same tax and labor laws apply to foreign trade zones as to other workplaces in Sweden.

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For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks; insurance companies; securities firms; currency exchange houses, providers of electronic money, and money transfer companies; accounting firms; law firms and tax counselors; casinos, gambling entities and lottery ticket sale outlets; dealers of vehicles, art, antiques and jewelry; and real estate brokers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 12,218 in 2010
Number of CTRs received and time frame: Not applicable
STR covered entities: Independent certified public accountants; tax advisors; lawyers; real estate agents; casinos; banks, life insurance and securities companies; insurance brokers; fund companies; companies that issue electronic money; and high value goods dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not Available
Convictions: Not Available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Sweden is a member of the Financial Action Task Force. Its most recent Mutual Evaluation can be found here: http://www.fatf-gafi.org/infobycountry/0,3380,en_32250379_32236963_1_70765_43383847_1_1,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Swedish legislation dealing with money laundering exists in the Penal Code and the Money Laundering Act. In practice, predicate crimes are prosecuted, but not money laundering itself. Most often money laundering is prosecuted as tax evasion, if no other direct connection to crime is found. Many money laundering incidents involve self laundering, wherein a person tries to launder his own ill-gotten gains. In these cases only the predicate offense can be prosecuted, due to the lack of criminalization of self laundering in the Penal Code, even though it is defined as money laundering within the Money Laundering Act. The Money Laundering Act defines what is considered suspicious and should be reported to the Swedish Financial Intelligence Unit, rather than establishing criminal regulations.

The Swedish financial authority, Finansinspektionen, oversees compliance with current reporting regulations. It has the power to fine institutions and issue warnings, as well as to revoke licenses.

The FIU reports that STR filings reveal the most popular destinations for money leaving Sweden are Nigeria, Ghana, the UK, Iran, Russia, the Philippines, China, and Poland. Those countries most frequently named on STRs concerning money entering Sweden are China, Russia, the U.S., the U.A.E, Germany, Angola, Turkey, and Canada. According to the FIU, the significant increase in STR filings between 2009 and 2010 can partially be attributed to more banks utilizing detection systems for suspicious transactions, as well as an increase in the number of companies required to file reports. The biggest increase was in the credit market companies sector, which increased its STR rate from 51 in 2009 to 1,309 in 2010. STRs from remittance services also more than doubled from 1,749 reports in 2009 to 3,721 reports in 2010. Hawaladars are legally obligated to apply Swedish bookkeeping regulations.

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.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks; securities and insurance brokers; money exchangers or remitters; financial management firms; investment companies; insurance companies; casinos; and individuals acting as intermediaries in bank lending, money transactions, or trading of currencies, or providing wealth management and investment advice services

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 1,159 in 2010
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks; securities and insurance brokers; money exchangers or remitters; financial management firms; casinos; and individuals acting as intermediaries in bank lending, money transactions, trading of currencies or providing wealth management and investment advice services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 360 in 2010
Convictions: 219 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** 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:

Because there are no laws for declaration of currency and monetary instruments, Swiss authorities cannot effectively conduct bulk cash investigations.

The number of suspicious activity reports increased by 29% from 2009 to 2010, to 1,159 reports encompassing a total of CHF 850 million (approximately \$962 million), compared to CHF 2.2 billion (approximately \$2.3 billion) in 2009. In 2010, 13 reports were related to terrorism finance, amounting to CHF 23 million (approximately \$26 million).

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 continue to expose Switzerland to potential money laundering abuse. This potential is exacerbated by the current lack of adequate regulation of some potential means of facilitating money laundering, such as real estate, jewelry, luxury cars, works of art, and commodities like oil and gas.

Syria

Syria was not an important regional or offshore financial center even before the beginning of unrest in March 2011, primarily because of its underdeveloped private banking sector and constraints on full convertibility of the Syrian pound. Prior to widespread civil unrest, only 20% of Syria's population of nearly 23 million people used formal banking services, although private-sector banks' market penetration was growing rapidly. However, following the imposition of robust sanctions on individuals, entities, and banks by several jurisdictions, banking services were used considerably less in 2011 than in the year prior. While large commercial transactions rely on banks, the majority of business transactions are still conducted in cash.

The United States has designated Syria as a State Sponsor of Terrorism. In addition, in March 2011, the Syrian regime began a violent crackdown against protestors, which included widespread human rights violations. As a result, the United States, the European Union, Arab League and individual nations imposed sanctions against individuals, entities, and corporations assisting the regime's crackdown. On April 29, the United States began sanctions on individuals enacted through Executive Orders (E.O.) 13572, 13573, and 13382. Several rounds of sanctions continued throughout the subsequent nine months and have targeted the Commercial Bank of Syria, the Real Estate Bank, Syrian-Lebanese Commercial Bank, and U.S. dealings with the Syrian petroleum industry.

In May 2004, the U.S. Department of Treasury found the Commercial Bank of Syria (CBS), along with its subsidiary, the Syrian Lebanese Commercial Bank, to be a financial institution of "primary money laundering concern," pursuant to Section 311 of the USA PATRIOT Act. This finding resulted from information that CBS had been used by terrorists or persons associated with terrorist organizations as a conduit for the laundering of proceeds generated from the illicit sale of Iraqi oil, and because of continued concerns that CBS was vulnerable to exploitation by criminal and/or terrorist enterprises. In April 2006, Treasury promulgated a final rule, based on the 2004 finding and proposed rule-making, prohibiting U.S.

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financial institutions from maintaining or opening correspondent or payable-through accounts with CBS or its Syrian Lebanese Commercial Bank subsidiary.

After suspending Syria's membership on November 12, 2011, the Arab League, which normally comprises 22 Arab member states including Syria, approved sanctions on Syria on November 28, 2011. These sanctions include cutting off transactions with the Syrian central bank; halting funding by Arab governments for projects in Syria; a ban on senior Syrian officials traveling to other Arab countries; and a freeze on assets related to President Bashar al-Assad's government. The declaration also calls on Arab central banks to monitor transfers to Syria, with the exception of remittances from Syrians abroad.

Syria is included in the October 28, 2011 Financial Action Task Force (FATF) Public Statement for its failure to adequately implement its action plan to address noted deficiencies, including the need to adopt adequate measures to implement and enforce the 1999 International Convention for the Suppression of the Financing of Terrorism; implement procedures for identifying and freezing terrorist assets; ensure that financial institutions are aware of and comply with their obligations to file STRs; and ensure that appropriate laws and procedures are in place to provide mutual legal assistance.

Estimates of the volume of business conducted in the black market by Syrian money changers range between \$15 and \$70 million per day. Additionally, a lack of necessary legislation and poor enforcement of existing laws contribute to significant money laundering and terrorist financing vulnerabilities in Syria's banking and non-bank financial sectors. Syria's black market moneychangers are not adequately regulated, and the country's borders remain porous. Regional hawala networks, intertwined with smuggling and trade-based money laundering, raise significant concerns, including involvement in the financing of terrorism. The most obvious indigenous money laundering threat involves some members of Syria's political and business elite, whose corruption and extra-legal activities continue unabated.

There are eight public free trade zones (FTZs) in Syria and five additional FTZs were planned in Damascus, Homs, Dayr ez-Zawr, Idleb, and the port of Tartous prior to the start of the uprising in March 2011. In recent years, Iran announced plans to build FTZs in Syria, although it later dropped this idea in favor of pursuing a free trade agreement with Syria. China's free zone in Adra was officially inaugurated in July 2008; 13 businesses have been established in Adra to date. The volume of goods entering the FTZs is estimated to be in the billions of dollars and is growing, especially with increasing demand for automobiles and automotive parts, which enter the zones free of customs tariffs before being imported into Syria. While all industries and financial institutions in the FTZs must be registered with the General Organization for Free Zones, part of the Ministry of Economy and Trade, the Syrian General Directorate of Customs continues to lack strong procedures to check country of origin certification, or the resources to adequately monitor goods that enter Syria through the zones. There also are continuing reports of Syrians using the FTZs to import arms and other goods into Syria in violation of U.S. sanctions under the Syrian Accountability Act, and a number of United Nations Security Council Resolutions.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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KYC covered entities: Banks; money exchanges and remitters; issuers of payment instruments such as credit cards, payment cards, travelers checks, and ATM cards; investment funds and their managers; financial brokerages and financial leasing corporations; insurance companies; real estate brokers and agents; dealers of high value goods, jewelry, precious stones, gold, and antiquities; lawyers; and accountants

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Number of STRs received and time frame: 144 from January to November 2010

Number of CTRs received and time frame: Not available

STR covered entities: Banks; money exchanges and remitters; issuers of payment instruments such as credit cards, payment cards, travelers checks, and ATM cards; investment funds and their managers; financial brokerages and financial leasing corporations; insurance companies; real-estate brokers and agents; dealers of high value goods, jewelry, precious stones, gold, and antiquities; lawyers; and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** NO

With other governments/jurisdictions: NO

Syria is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force (FATF)-style regional body. Syria's most recent mutual evaluation can be found here: <http://www.menafatf.org/images/UploadFiles/MutualEvaluationReportofSyria.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Money changers remain largely unregulated. In addition to cash smuggling, there is also a high rate of commodity smuggling in and out of Syria. It has been reported that some smuggling is occurring with the knowledge of, or perhaps even under the authority of, the Syrian security services, while other smuggling attempts to evade the regime's crackdown on protesters. The General Directorate of Customs lacks the necessary staff and financial resources to effectively handle the problem of smuggling. While customs has started to enact some limited reforms, including the computerization of border outposts to interface with other government agencies, problems of information sharing remain.

Most Syrian judges are not yet familiar with the evidentiary requirements of the anti-money laundering law. Furthermore, the slow pace of the Syrian legal system and political sensitivities delay quick adjudication of these issues. The lack of expertise, further undermined by a lack of political will, continues to impede effective implementations of existing anti-money laundering/counter-terrorist financing (AML/CFT) regulations.

While the Government of Syria (GOS) has made modest progress in implementing AML/CFT regulations that govern the formal financial sector, the continuing lack of transparency of the state-owned banks and their vulnerability to political influence reveal the absence of political will to address AML/CFT in the largest part of the banking sector. In addition, non-bank financial institutions and the black market will continue to be vulnerable to money launderers and terrorist financiers. To build confidence in Syria's intentions, the Central Bank should be granted independence and supervisory authority over the entire sector. Additionally, the GOS should enact the draft AML/CFT law to address many of the remaining deficiencies. Upon enactment of the law, Syria will need to work actively to effectively implement its

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provisions through appropriate regulation and other related action. The GOS should become a party to the UN Convention against Corruption.

Taiwan

Taiwan is a regional financial center. Its modern financial sector, strategic location on international shipping lanes, expertise in high-tech sectors, and role as an international trade hub make it vulnerable to transnational crimes, including money laundering, drug trafficking, telecom fraud, and trade fraud. Though illegal in Taiwan, a significant volume of informal financial activity takes place through unregulated non-bank 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. Jewelry stores increasingly are being used 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 makes it difficult for law enforcement to detect and deter money laundering in this sector, even though dealers in precious metals and stones are required to implement know-your-customer rules.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, credit co-operative associations, credit departments of Farmers’ Associations and Fishermen’s Association, Department of Savings & Remittances of Chunghwa Post Co., securities firms, life insurance companies, and dealers in precious metals and stones

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 5,379 from January to September 2011
Number of CTRs received and time frame: 65,054 from January to September 2011
STR covered entities: Banks, credit co-operative associations, credit departments of Farmers’ Association and Fishermen’s Association, Department of Savings & Remittances of Chunghwa Post Co., securities firms, life insurance companies, jewelry stores, and members of the National Real Estate Brokering Agencies Association

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 20 from January to September 2011
Convictions: Eight from January to September 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES
With other governments/jurisdictions: YES

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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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Taiwan continues to strengthen its AML/CFT regime, but is not in full compliance with international standards on combating terrorist financing. While Taiwan criminalized the financing of terrorist activities, 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. The government should abolish all shell companies and prohibit the establishment of new shell companies of any type.

Taiwan's AML/CFT requirements do not apply to several types of designated non-financial businesses and professions (DNFBPs), which remain vulnerable to money laundering/terrorist financing activity. Taiwan should raise awareness of the vulnerabilities of non-profit organizations to terrorist financing, and should exert more authority over this sector. Taiwan should take steps to amend its legislation and regulations to bring all DNFBPs, as listed in the international standards, and the non-profit sector within the scope of its AML/CFT coverage. 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.

In September 2011, Taiwan's Financial Supervisory Commission, the top financial regulator in Taiwan, directed Taiwan's financing institutions to begin implementing enhanced due diligence procedures for politically exposed persons, through an established databank for "high profile politician." Financial institutions are required to identify, record, and report the identities of high-profile customers engaging in significant or suspicious transactions.

In two decisions rendered in 2011, Taiwan's High Court upheld earlier convictions and reversed a lower court acquittal against former President Chen Shui-bian and members of his family for a range of corruption offenses including money laundering, forgery, embezzlement and bribery committed while he was in office. The Court fined him NT\$180 million (approximately \$5.9 million) and sentenced him to an additional 18 years in prison, in addition to his previous 17-year sentence for corruption.

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 1988 UN Drug Convention, the UN Convention against Transnational Organized Crime, and the UN Convention for the Suppression of the Financing of Terrorism.

Tajikistan

Tajikistan operates largely on a cash economy and with decentralized accounting systems, which makes money laundering difficult to detect. Furthermore, deficiencies in Tajikistan's recently enacted AML/CFT law increase Tajikistan's vulnerability to money laundering and terrorism financing.

Criminal proceeds laundered in Tajikistan derive from both foreign and domestic criminal activities related to the large amounts of opium and heroin trafficked from Afghanistan to Russia via Tajikistan. The money laundering proceeds are primarily controlled by high-level drug trafficking networks, with some smaller actors involved. It is suspected that corruption at high levels within the government facilitates the drug trade and associated money laundering. Some money laundering takes place in the

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formal financial sector, according to the National Bank of Tajikistan (NBT), the Central Bank. Other banks offer clients whose income is likely to be criminally derived the ability to purchase properties in the Persian Gulf States, particularly Dubai. Tajik authorities have reported that some unlawfully derived proceeds are handled through offshore accounts in the Middle East.

While there is a market for smuggled goods, there is little evidence that most items are financed with narcotics money, with the exception of imported cars and other luxury items. There are concerns about the abuse of non-profit organizations, hawalas, money or value transfer services, free trade zones, and bearer shares in regard to money laundering; however, the Government of Tajikistan (GOT) has not provided any information with respect to this issue.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks, money remitters, foreign exchange dealers, microfinance institutions

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, money remitters, foreign exchange dealers, microfinance institutions

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Tajikistan is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://eurasiangroup.org/ru/news/tajikistan.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Tajikistan adopted several laws in 2011 that attempt to address severe shortcomings identified by international experts. Several changes to the law on securities, adopted in June, establish a regulatory authority, introduce a state register and determine the procedures for transfer of rights to securities. Rules were also adopted for bank payment cards to help identify and limit suspicious transactions and counter the legalization of proceeds from crime and terrorist financing using these instruments.

While the new AML/CFT law does increase the due diligence requirements for foreign politically exposed persons, it does not impose similar requirements for domestic PEPs. The new law defines tipping off; however, international experts have raised serious concerns about the law's effectiveness in meeting international recommendations. The new law also put in place new suspicious reporting requirements, but these need some improvements in order to meet international standards. In addition, concerns remain about the authorities' ability to access these in a timely fashion.

The GOT has developed an action plan to address noted deficiencies, including by adequately criminalizing money laundering and terrorist financing, establishing and implementing adequate procedures for the confiscation of funds related to money laundering and for identifying and freezing terrorist assets, enhancing financial transparency, ensuring a fully operational and effectively functioning financial intelligence unit (FIU), improving STR requirements, and improving and broadening customer due diligence measures. The GOT also should criminalize tipping off and should provide for criminal liability for legal persons.

The NBT indicated it has received a number of STRs and CTRs since May, but it was not authorized to provide exact numbers. The NBT developed a list of indicators of suspicious transactions and, using provisions of the new law, created an FIU. The FIU will be able to analyze and disseminate information, although there are concerns about its independence and allocated resources.

While Tajikistan has signed several international agreements pertaining to money laundering and financial crime, the government needs to codify these in Tajik law. The country needs to amend its laws to better address seizure, forfeiture, and ultimate disposition of assets determined to be unlawfully derived proceeds of money laundering in accordance with international standards. In addition, the GOT needs to improve its criminalization of terrorist financing to comply with international standards and establish procedures to implement United Nations Security Council Resolutions 1267 and 1373.

Tanzania

While Tanzania is not a major regional financial center, its location at the crossroads of southern, central and eastern Africa leaves it vulnerable to activities that generate illicit revenue, such as smuggling and the trafficking of narcotics, arms, and humans. The major profit generating crimes in Tanzania include theft, robbery, corruption, smuggling of precious metals and stones, and drug trafficking. With only 12% of the population engaged in the formal financial sector, money laundering is more likely to occur in the informal non-bank sectors. Criminals have been known to use front companies, hawaladars and *bureaux de change* to launder funds, though these are not currently significant areas of concern for Tanzanian AML officials, who are not aware of any issues with or abuse of non-profit organizations, alternative remittance systems, offshore sectors, free trade zones, or bearer shares. Real estate and used car businesses also appear to be sources of money laundering. The use of front companies to launder money is especially common on the island of Zanzibar, where fewer federal regulations apply. Officials indicate that money laundering schemes in Zanzibar generally take the form of foreign investment in the tourist industry and bulk cash smuggling.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF

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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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks and financial institutions, cash dealers, accountants, dealers in art/metal/precious stones, customs officials, and legal professionals

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 15 - January to November 2011
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks and financial institutions, cash dealers, accountants, realtors, dealers in art/metal/precious stones, casinos and gaming operators, regulators, customs officials, and legal professionals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Five in 2011
Convictions: None in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO
With other governments/jurisdictions: NO

Tanzania 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/reports/me.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although in recent years the Government of Tanzania (GOT) has strengthened its response to money laundering activities, Tanzania has serious deficiencies in its legislation and AML/CFT regime. The Anti-Money Laundering Act (AMLA) of 2006 includes a limited list of predicate offenses that does not meet international standards. The Minister of Finance has discretion to add offenses, and Tanzanian officials express commitment to amending the AMLA as necessary. Additional key issues include weaknesses in supervision of the financial sector and the lack of designated competent authorities responsible for ensuring compliance by financial institutions.

Coordination with Zanzibar on AML regulations and procedures has typically been complicated by the broader question of where Zanzibar’s authority ends and the Union’s authority begins. In October 2011, mainland and Zanzibari authorities came to an agreement to share a single financial intelligence unit (FIU), and established a national AML/CFT Center to serve as this authority. Thus, in 2011, the FIU significantly expanded its reach from mainland-only to all of Tanzania, and its staff from five to 16. However, there continue to be weaknesses in the structure and function of Tanzania’s FIU, including inadequate provisions to safeguard the FIU’s operational independence. The GOT must dedicate the resources necessary to build an effective FIU. The FIU should continue its efforts to train new staff, to inform institutions of their reporting and record keeping responsibilities, and to train the financial sector to identify suspicious transactions.

Currently, there are five AML prosecutions underway but there have been no convictions. Authorities note that training and attention has focused on mainland authorities, and authorities in Zanzibar reportedly lag behind their mainland counterparts. Additional training for the judiciary, as well as for the law enforcement authorities charged with investigating financial crimes is critical.

There is limited capacity to effectively implement all the requirements and adequately supervise the banking sector. A lack of enforceable requirements to ensure customer due diligence; a focus mainly on the formal banking sector rather than full coverage of designated non-financial businesses and professions; and ineffective provisions pertaining to recordkeeping, including a threshold approach to recordkeeping requirements, continue to be issues. Bankers report the AMLA is a good law, but expectations on the industry are unreasonable, e.g., a requirement to fingerprint customers when there is no national ID or establish a database to store the collected biometrics. Mobile banking is growing rapidly in Tanzania, opening up formerly underserved rural areas to formal banking.

Tanzania does not have formal records exchange mechanisms. The Ministry of Foreign Affairs and Central Bank of Tanzania do cooperate with other governments via memoranda of understanding, but this happens infrequently.

Tanzania should work to increase the level of awareness and understanding of money laundering issues in the financial, law enforcement and judicial areas and should allocate the necessary human, technical, and financial resources to implement its AML/CFT regime. The GOT should focus its efforts on practical implementation of the AMLA. The GOT also should improve its cross-border cash declaration regime. Tanzanian police and customs officials also would benefit from training on identifying and preventing money laundering through exploitation of the money/value transfer services used in the region.

Terrorist financing is not adequately criminalized. Additionally, there are deficiencies in the mechanisms to freeze and confiscate terrorist assets, including a lack of implementing regulations to give effect to the freezing mechanism under the Prevention of Terrorism Act for the purposes of UNSCRs 1267 and 1373. Authorities should ensure the Prevention of Terrorism Act comports with international standards and the GOT implements all provisions in the law.

Thailand

Thailand is a centrally located, upper-middle-income Southeast Asian country with an extremely porous border. Thailand is vulnerable to money laundering within its own underground economy as well as to 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 presence of hawalas - a remittance system that uses relationship-based networks via money shops that service Middle Eastern travelers in Thailand. Thai banking regulations cover financial institutions adequately, but struggle to achieve effective oversight over less formal operations.

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.

Thailand was publicly identified by the Financial Action Task Force (FATF) in February 2010 for its strategic anti-money laundering/counter-terrorist financing (AML/CFT) deficiencies, for which it has developed an action plan. Thailand's action plan includes adequately criminalizing terrorist financing and establishing and implementing adequate procedures to identify and freeze terrorist assets. In October 2011, the FATF determined that Thailand's progress against the agreed action plan's timeline has been insufficient and the Government of Thailand (GOT) needs to take adequate action to address its main deficiencies or risk further action from the FATF.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks (including state banks), finance companies, mortgage finance companies, securities dealers, insurance companies, money exchangers and remitters, asset management companies, jewelry and gold shops, automotive hire-purchase businesses or car dealers, real estate agents/brokers, antiques shops, personal loan businesses, electronic card businesses, credit card businesses, and electronic payment businesses, as well as deposit/lending cooperatives with total operating capital exceeding \$67,000

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 166,578 from October 1, 2010 to September 30, 2011

Number of CTRs received and time frame: 933,485 from October 1, 2010 to September 30, 2011

STR covered entities: Private and state-owned banks, finance companies, insurance companies, savings cooperatives, securities firms, asset management companies, and mortgage finance companies; land registration offices, moneychangers, remittance agents, jewelry and gold shops, automotive hire-purchase businesses and car dealerships, real estate agents and brokers, antique shops, personal loan companies, electronic and credit card companies, and electronic payment companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two in 2011

Convictions: One in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other: YES

With other governments/jurisdiction: YES

Thailand is a member of the Asia/Pacific Group on Money Laundering, 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/Thailand%20DAR.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Political and civil unrest in Thailand in mid-2010, followed by catastrophic flooding, the dissolution of Parliament and subsequent general election in July 2011, have impeded Thailand's implementation of its AML/CFT action plan. Despite high-level political commitment to address strategic AML/CFT deficiencies, Thailand's legislative framework still does not adequately criminalize terrorist financing and does not establish adequate procedures for identifying and freezing terrorist assets.

Despite these significant deficiencies, Thailand has made some progress in improving its FIU and its regulatory framework. The Anti-Money Laundering Office (AMLO) now has a full staff and is operational. The AMLO issued memoranda of understanding with two financial supervisors, the Office of Insurance Commission, signed April 26, and the Bank of Thailand, signed May 25. The memoranda establish the role of the AMLO in monitoring compliance with AML/CFT requirements, coordinating information sharing and ensuring that financial supervisors carry out their responsibilities effectively. Thailand has also made progress in the training and supervision of reporting entities, particularly money changers and transfer businesses. Ministerial regulations for cash threshold transactions and customer identification were endorsed and legalized via Cabinet resolution, and came into force in August.

Thai law does not adequately prohibit "tipping off," leaving financial institutions and their employees subject to potential liability for filing STRs. The GOT should amend its legislation as necessary to ensure this deficiency is corrected.

On March 1, 2011, Thailand became a party to the UN Convention against Corruption. Thailand should become a party to the UN Convention against Transnational Organized Crime.

Timor-Leste

Timor-Leste is not a regional or offshore financial center and has no free trade zones. The economy is cash based, and the Ministry of Finance estimates only 1.3% of Timorese regularly use banking facilities. The national economy depends on petroleum and natural gas revenues, supplemented by assistance from international donors. The private sector is small, concentrated in the services and retail sectors.

Timor-Leste has experienced relative stability over the past four years but remains in a state of transition. Governmental institutions are still being established, and legal and financial systems are limited. Years of violent conflict devastated Timor-Leste's physical infrastructure. Together with a dearth of human capital, this has handicapped the government's ability to provide reliable basic services. Continued stability will depend on the success of ongoing efforts to professionalize and bolster the capacity of law enforcement and security institutions.

Weak controls at the land border with Indonesia and even weaker maritime border controls make Timor-Leste vulnerable to smuggling, organized crime, and terrorist activities. Narcotics trafficking is not considered a significant source of illegal proceeds, but the inadequacy of reporting and data systems makes it difficult to track cross-border activities.

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:

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“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO
KYC covered entities: Financial institutions, casinos, financial and real estate service providers, accountants, auditors, and financial consultants

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Financial institutions

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None
Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* NO
With other governments/jurisdictions: NO

Timor-Leste is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. The APG will conduct the first mutual evaluation of Timor-Leste in late November 2011.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Timor-Leste lacks critical AML/CFT controls and its low technical, financial, and human capacity make it difficult to enforce adequately the laws that are in place. Central Bank regulations require financial institutions to know their customers and to report suspicious transactions of any size, but there is no enforcement mechanism to freeze or seize assets. All three major banks in Timor-Leste (ANZ Bank, Banco Ultramarino, and Bank Mandiri) are branches of foreign banks, chartered in Australia, Portugal, and Indonesia respectively, and are subject to the reporting requirements of their home jurisdictions. The government is in the process of creating a development and investment bank, expected to have partial foreign ownership.

The National Parliament passed AML/CFT legislation in December 2011. The new law criminalizes engaging in financial transactions with the intent of concealing assets derived from criminal activity, or engaging in transactions with the intent of providing material support to terrorist organizations. The law also creates an FIU with the power to identify, freeze, and seize criminal proceeds, and requires financial institutions to report large or unusual transactions.

However, the new law lacks provisions that would make it fully compliant with international standards, including provisions for extradition, transparency of transactions with professions historically linked to money laundering, and enhanced scrutiny of transactions of politically exposed persons.

Timor-Leste should become a party to the 1988 UN Drug Convention and the UN Convention for the Suppression of the Financing of Terrorism.

Togo

Togo's porous borders, susceptibility to corruption, and large informal sector make it vulnerable to drug transshipments and small-scale money laundering. Most narcotics passing through Togo are destined for European markets. Trafficking in persons, corruption, misappropriation of funds, tax evasion, and smuggling are major crimes in Togo. The country's small financial infrastructure dominated by regional banks makes it a less attractive venue for money laundering through its 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: All serious crimes
Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, lending and savings institutions, microfinance entities, insurance and securities brokers and companies, mutual funds, the regional stock exchange, attorneys, notaries, auditors, dealers of high value goods, money exchangers and remitters, casinos and gaming establishments, non-governmental organizations, travel and real estate agents, and the post office

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 80 in 2011
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, lending and savings institutions, microfinance entities, insurance and securities brokers and companies, mutual funds, the regional stock exchange, attorneys, notaries, auditors, dealers of high value goods, money exchangers and remitters, casinos and gaming establishments, non-governmental organizations, travel and real estate agents, and the post office

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two in 2011
Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Togo is a member of the Inter Governmental 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: www.giaba.org

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Togo is slowly implementing a national plan to fight drugs and money laundering, and has been receiving increasing support from foreign donors. Togo's anti-money laundering laws, including the 2009 law covering terrorism related financing, are primarily administered by its financial intelligence unit (FIU), called the Cellule Nationale de Traitement des Informations Financieres (CENTIF). CENTIF analyzes STRs as well as reports of attempts to transport money across borders in

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excess of the amounts allowed by law. CENTIF lacks full operational autonomy and is inadequately resourced.

Investigating magistrates, police and customs have little expertise in anti-money laundering/counter-terrorist financing (AML/CFT) matters. In addition to a lack of capacity on the investigative side, Togo has difficulty pursuing prosecutions due to an inefficient and overburdened court system. Corruption in government and all levels of society presents further obstacles. Togo is ranked 143 out of 183 countries in Transparency International's 2011 Corruption Perception Index.

Togo's terrorism financing law does not comport with the international standards. Additionally, although Togo's AML/CFT laws include know your customer provisions, most covered entities were not aware of the requirements and compliance is negligible. Also, some designated non-financial businesses and professions are not subject to supervisory oversight for AML/CFT purposes.

Tonga

Tonga is an archipelago located in the South Pacific. Tonga is neither a financial center nor an offshore jurisdiction. It has only three commercial banks. Remittances from Tongans living and working abroad are the largest source of hard currency earnings, followed by tourism. Tonga is not a major narcotics transit point. Tonga is deemed by local police authorities to be vulnerable to smuggling and money laundering due to inadequate border controls.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks, foreign exchange dealers, money lenders, Tonga Development Bank, credit unions, insurance companies and intermediaries, Retirement Fund Board, accountants, lawyers, real estate agents, securities dealers, casinos, sellers of payment instruments, and trustees

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Average of ten per year
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, foreign exchange dealers, money lenders, Tonga Development Bank, credit unions, insurance companies and intermediaries, Retirement Fund Board, accountants, lawyers, real estate agents, securities dealers, casinos, sellers of payment instruments, and trustees

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO

With other governments/jurisdictions: NO

Tonga 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/default.aspx?DocumentCategoryID=17>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Tongan Transaction Reporting Authority (TRA) is generally vested with the powers of a financial intelligence unit (FIU), although there are some serious limitations in its powers. The TRA's functions under the Money Laundering and Proceeds of Crime Act (MLPCA) do not explicitly include analysis of STRs. Additionally, the lack of timely access to financial, administrative and law enforcement information severely limits the TRA's ability to effectively analyze STRs.

Although many types of entities are covered under the MLPCA, know your customer procedures and STR requirements are only applied to banks and foreign exchange dealers actively supervised by the National Reserve Bank of Tonga or the TRA.

Relevant legislation regarding money laundering and terrorist financing does not expressly provide for national cooperation and coordination, which is therefore based on policy and practice. Information sharing with the United States is very good.

The primary limitation to detecting money laundering in Tonga is the lack of technical and experienced staff and staffing restraints at key anti-money laundering/counter-terrorist financing agencies, including the TRA and the Tonga Police Transnational Crimes Unit. The lack of resources results in a lack of monitoring and depth of investigation of suspicious transactions, and an absence of prosecutions. A related issue is that the investigators may not be aware of new money laundering methodologies.

The Government of Tonga should become a party to the United Nations Convention against Corruption and the United Nations Convention against Transnational Organized Crime.

Trinidad and Tobago

Drug-trafficking, illegal arms sales and fraud continue to be the most likely sources of laundered funds in Trinidad and Tobago (TT). It is suspected that criminal assets laundered in TT are derived from domestic criminal activity as well as from the activity of nationals involved in crime abroad. According to information from financial institutions and legal analysts, financial crimes in general are increasing, particularly those involving the use of fraudulent checks, wire transfers, and related instruments in the banking sector. There is no significant black market for smuggled goods in TT, but the incidence of drug money supporting illegal arms imports is thought to be growing. Officials in the financial community report that funds generated from the arms and ammunition trade are being laundered through the financial system, mainly through simple bank currency trades below the suspicious activity reporting threshold. There are indications trade-based money laundering occurs in TT.

TT does not have a significant traditional offshore business sector. Although its banking system is regarded as one of the strongest and most efficient in the region, costs of banking are higher than neighboring countries due to limited exploitation of new technology and limited competition. To what extent hawalas and money or other value transfer services are a problem in TT is unclear. There are six free trade zones (FTZs) where exporting of manufactured products takes place. There is no evidence the FTZs are involved in money laundering schemes, and companies operating in the FTZs are required to

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submit tax returns quarterly and audited financial statements yearly. Casinos are legal in TT, however, online gambling is not allowed.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, financial institutions, building societies, co-operative societies, insurance companies, securities firms, exchange bureaus, cash remitting services, Postal services, entities providing mutual funds, development banks, trust companies, mortgage companies, real estate firms, motor vehicle dealers, money or value transfer services, gaming houses, pool betting, on-line betting games, lotteries, jewelry merchants, private clubs, accountants, attorneys or other independent legal professionals, art dealers, trust and company service providers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 303 from October 2010 – September 2011

Number of CTRs received and time frame: Not available

STR covered entities: Banks, finance houses, insurance companies, securities dealers, investment advisors, real estate agents, motor vehicle dealers, gaming enterprises, national lotteries, jewelers, accountants, attorneys or other independent legal professionals, art dealers, trust and company service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: One in 2011

Convictions: None in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanisms:*** YES

With other governments/jurisdictions: YES

Trinidad and Tobago 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/Trinidad and Tobago 3rd Round MER \(Final\) English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Trinidad_and_Tobago_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

TT continues to have significant AML/CFT vulnerabilities which the government is taking steps to address. In 2011, the government named a new interim director to the FIU and enacted new regulations including the Financial Intelligence Unit of Trinidad and Tobago (Amendment) Act; the Financial Intelligence Unit of Trinidad and Tobago Regulations, 2011; and the Financial Obligations (Financing of

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Terrorism) Regulations, 2011. These regulations improve the collection and storage of financial intelligence and information; suspicious transaction/activity reporting; information analysis, feedback and dissemination; periodic reports; supervisory authority, and compliance programs. In addition, the laws extend the requirements on financial institutions and listed businesses to include the financing of terrorism. There also was an increase in the number of sectors required to report suspicious transactions in 2011.

There are concerns over the ineffective use of confiscation provisions under the Proceeds of Crime Act because there have been no asset confiscations to date. However, the Trinidad and Tobago Customs and Excise Division, the Financial Investigations Branch and Criminal Tax Investigations Unit did make 11 cash seizures during 2011, including one for \$300,000.

Staffing of the FIU is improving, but at a very slow pace. The Central Bank has reported commencing AML/CFT inspections of money remitters. A confiscation/forfeiture regime with regard to terrorist financing has been legally established, but is yet to be demonstrated.

Tunisia

Tunisia is not considered an important regional financial center. Tunisia has strict currency exchange controls which authorities believe mitigate the risk of international money laundering. The primary domestic criminal activities that generate laundered funds are clandestine immigration, smuggling, and trafficking in stolen vehicles and narcotics. Use of the financial sector for laundering is prevalent; but there is no evidence to suggest significant levels of narcotics are involved. There is a low level of organized crime in Tunisia.

Trade-based money laundering is also a concern. Throughout the region, invoice manipulation and customs fraud are often involved in hawala counter-valuation. Since the overthrow of former Libyan ruler Muammar Qadhafi and the reopening of the Libyan-Tunisian border, an indeterminate amount of small arms has been smuggled into Tunisia.

As of the end of 2011, Tunisia had eight offshore banks and a considerable number of offshore international business companies. Tunisia also has two free trade zones, in Bizerte and Zarzis, with a limited number of companies manufacturing products for export. There are no offshore financial institutions located in either free trade zone.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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 *civily:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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KYC covered entities: Banks, nonbank financial institutions, financial intermediaries; company and asset managers; real estate brokers and agents; dealers of precious metal, jewels, precious stones or high value goods; and managers of casinos

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks, nonbank financial institutions, financial intermediaries; company and asset managers; real estate brokers and agents; dealers of precious metal, jewels, precious stones or high value goods; and managers of casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** NO

With other governments/jurisdictions: YES

Tunisia 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/MENAFATF.7.07.E.P5R2%20with%20response .pdf](http://www.menafatf.org/images/UploadFiles/MENAFATF.7.07.E.P5R2%20with%20response.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Governor of the Central Bank heads Tunisia's interagency FIU, known as the Tunisian Financial Analysis Commission (CTAF). Other members draw from Tunisia's regulatory, legal, and law enforcement authorities and include a magistrate, representation from the Ministry of Finance, Customs General Directorate, National Post Office, Council of Financial Markets, Insurance General Committee, Ministry of Interior, and "an expert specialized in the fight against financial infringements". However, these interagency representatives are not analysts, and CTAF lacks analytical capacity due to both lack of analytical staff as well as lack of training for the staff already in place.

Under Tunisian law, all offshore financial institutions are held to the same regulatory standards as onshore financial institutions and undergo the same due diligence process. Offshore international business companies are subject to all regulatory requirements, except for tax requirements and currency convertibility restrictions. Tunisia prohibits bearer financial instruments or shares, as well as anonymous and numbered accounts. The Tunisian penal code provides for the seizure of assets and property tied to narcotics trafficking and terrorist activities.

The Government of Tunisia (GOT) should continue to implement and enhance its anti-money laundering/combating the financing of terrorism (AML/CFT) regime. In keeping with international standards, GOT officials should disseminate statistics such as prosecutions and convictions; this will also aid in measuring progress. Tunisian authorities should examine, regulate where needed, and enforce existing regulations on hawala, mobile phone banking, and other money and value transfer systems operating in Tunisia. Authorities should build their capacity to recognize and investigate trade-based laundering and value transfer.

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. It 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 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. Informed observers estimate as much as half 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 often transferred to accounts in the United Arab Emirates, Pakistan, and other Middle Eastern countries.

In June 2011, the Financial Action Task Force (FATF) added Turkey to its list of “Jurisdictions with strategic AML/CFT deficiencies that have not made sufficient progress in addressing the deficiencies.” As such, FATF called on its members to consider the risks arising from the deficiencies associated with Turkey’s anti-money laundering/counter-terrorist financing (AML/CFT) enforcement and implementation when conducting business within the country. Turkey was included in the FATF Public Statement for failure to adequately criminalize terrorist financing and implement an adequate legal framework to identify and freeze terrorist assets. The FATF action does not call for any countermeasures against Turkey as a result of its status.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, the Central Bank, post office banks, and money exchanges; issuers of payment and credit cards; lending, financial leasing, custody, settlement, and factoring companies; securities brokers, investment partnerships, and fund and asset managers; insurance, reinsurance and pension companies, and insurance and reinsurance brokers; Islamic financial houses; Directorate General of the Turkish Mint and precious metals exchange intermediaries; auctioneers, and dealers of precious metals, stones, jewelry, all types of transportation vehicles, art and antiquities; lawyers, accountants, auditors, and notaries; sports clubs; lottery and betting operators; and post and cargo companies

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 6,500 from January - October 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, the Central Bank, post office banks, and money exchanges; issuers of payment and credit cards; lending, financial leasing, custody, settlement, and factoring companies; securities brokers, investment partnerships, and fund and asset managers; insurance, reinsurance and pension companies, and insurance and reinsurance brokers; Islamic financial houses; Directorate General of the Turkish Mint and precious metals exchange intermediaries; auctioneers, and dealers of precious metals, stones, jewelry, all types of transportation vehicles, art and antiquities; lawyers, accountants, auditors, and notaries; sports clubs; lottery and betting operators; and post and cargo companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 15 in 2009

Convictions: Three in 2009

MASAK no longer keeps statistics on prosecutions and convictions (2009 was the last year it maintained these statistics).

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** 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:

MASAK, the Financial Crimes Investigation Board, Turkey's financial intelligence unit, receives, analyzes, and refers STRs for investigation. In 2010, 354 individuals were referred to the public prosecutor's office as a result of MASAK investigations into terrorism finance.

For the past year, a draft terrorism finance law has been under consideration by the Turkish Parliament and is scheduled to be discussed by the Parliament's Internal Affairs Commission in late November 2011. It is not, however, clear when or if the draft would reach the General Assembly. Concerns remain, that the draft does not sufficiently address the above enumerated deficiencies outlined by the FATF. Turkey should insure any new legislation meets the FATF standards.

The non-profit sector is vulnerable to terrorist financing. Turkey's investigative powers, law enforcement capability, and supervisory oversight are weak and lacking in all the necessary tools and expertise to effectively counter this threat through a comprehensive approach; all these areas need to be strengthened. The nonprofit sector is not audited on a regular basis for terrorist finance vulnerabilities and does not receive adequate AML/CFT outreach or guidance from the authorities. 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.

Turkmenistan

Turkmenistan is not an important regional financial center. There are only five international banks and a small, underdeveloped domestic financial sector. Foreign companies operate three casinos in Turkmenistan, which under certain conditions could become vulnerable to financial fraud and money laundering. Given Turkmenistan's shared border with Afghanistan, money laundering in the country could involve proceeds from the trafficking and trade of illicit narcotics (primarily opium and heroin), and

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those derived from domestic criminal activities. Although there is no information on cash smuggling, gasoline and other commodities are routinely smuggled across the national borders.

There are no offshore centers in the country. The current Law on Free Economic Zones (FEZs) in Turkmenistan determines the legal regime for conducting business in these zones. There are ten FEZs in Turkmenistan, all created prior to 1998. Businesses operating in a FEZ are exempt from taxes on profits for the first three years of profitable operation. In May 2007, Turkmenistan introduced the Awaza (or Avaza) Tourist Zone (ATZ) to promote the development of its Caspian Sea coast. The tax code exempts construction and installation of tourist facilities in the ATZ from value added tax (VAT). Various services offered at tourist facilities, including catering and accommodations, are also VAT-exempt.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, money exchangers, and money remitters; postal service operators; leasing companies; securities brokers and intermediaries; insurance institutions; portfolio and asset managers; precious metals and stones dealers; accountants, lawyers, notaries, and other legal professionals; real estate agents; lottery or gaming entities; charitable foundations; State registrars; and, pawnshops

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Two from January 1 to May 20, 2011

Number of CTRs received and time frame: Not available

STR covered entities: Banks, money remitters, foreign currency dealers, and money exchangers; professional participants in the securities market, commodity exchangers, and firms taking cash payments for investments; leasing organizations; insurance organizations; precious metals and stones dealers; accountants, lawyers, notaries, and other legal professionals; real estate agents; lottery or gaming entities; charitable foundations; State registrars, and, pawnshops

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Nine from January 1 to May 20, 2011

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** NO

With other governments/jurisdictions: YES

Turkmenistan is a member of Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a Financial Action Task Force (FATF)-style regional body. Its most recent evaluation can be found here: http://eurasiangroup.org/ME_2011_2_eng_rev3.doc

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In June 2011, Turkmenistan became a member of the EAG. The country's new financial intelligence unit, established in 2010, has begun to function. International experts have seen positive movement in the country's AML/CFT actions.

In response to international concerns, the parliament adopted a law in 2011 which extends the Criminal Code to include activities designed to conceal the unlawful origin of monetary assets and other property. Turkmenistan should explicitly criminalize tipping off.

Turks and Caicos

The Turks and Caicos Islands (TCI) is a British Overseas Territory with a population of approximately 46,000. The economy depends greatly on tourism and the offshore financial sector. Financial services contributed almost 30% of GDP. The TCI is vulnerable to money laundering due to its significant offshore financial services sector and notable deficiencies in its anti-money laundering/counter-terrorist financing (AML/CFT) regime. In addition, corruption is a problem. The country's geographic location has made it a transshipment point for narcotics traffickers.

As of November 2011, the TCI's well-developed financial sector is comprised of eight banks, seven money remitters, 18 professional trustees, six securities firms, and 5,291 insurance companies. At the end of 2011, 9,871 "exempt companies," or international business companies (IBCs), were included in the Companies Registry. Trust legislation allows establishment of asset protection trusts insulating assets from civil adjudication by foreign governments; therefore, TCI remains something of a tax haven for foreign criminals seeking to evade domestic tax reporting requirements. The country also has two 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.: 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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, credit card services, company managers, domestic insurance companies, insurance brokers/agents, investment dealers, money transmitters, mutual funds, professional trustees, dealers in high value goods, dealers in precious metals and stones, estate agents, casinos, accountants, auditors, and lawyers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 44 in 2011

Number of CTRs received and time frame: Not available

STR covered entities: Banks, credit card services, company managers, domestic insurance companies, insurance brokers/agents, investment dealers, money transmitters, mutual funds,

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professional trustees, dealers in high value goods, dealers in precious metals and stones, estate agents, casinos, accountants, auditors, and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

TCI 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/Turks and Caicos Islands 3rd Round MER %28Final%29 English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Turks%20and%20Caicos%20Islands%203rd%20Round%20MER%20Final%20English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

New regulations addressing AML/CFT came into force on May 6, 2011. TCI also made amendments to the companies and limited partnerships ordinances. Together these updates improve record keeping and STR reporting, and strengthen due diligence requirements. Amendments to improve the determination of beneficial ownership of legal persons or legal arrangements were anticipated for November 2011, but it is unclear if these came into effect.

Even though trust legislation allows establishment of asset protection trusts, the Superintendent of Trustees has investigative powers and may assist overseas regulators. The Financial Services Commission licenses and supervises banks, money transmitters, mutual funds and funds administrators, investment dealers, trust companies, insurance companies and agents, company service providers and designated non-financial businesses. It also licenses IBCs and acts as the Company Registry for the TCI.

Deficiencies remain, including weaknesses in cross-border currency controls and effective dissemination of designated terrorists lists. TCI does not produce or regularly release reports containing statistics on STRs, trends and typologies, something which international experts have identified as an area for further improvement. It is also unclear whether the new law has increased the speed by which STRs are reported to the authorities.

The AML/CFT reporting and compliance responsibilities of designated non-financial businesses and professions should be more clearly articulated, in particular for casinos. TCI should consider implementing domestic provisions which allow for the enforcement of foreign restraining and confiscation orders, and the sharing of assets confiscated as a result of such cooperation. While this occurs in practice, having a formal system in place would ease such actions.

The TCI is a British Overseas Territory and cannot sign or ratify international conventions in its own right. Rather, the United Kingdom (UK) is responsible for the TCI's international affairs and may arrange for the ratification of any convention to be extended to the TCI. The 1988 Drug Convention was extended to the TCI in 1995. The UN Convention against Corruption, the International Convention for the Suppression of the Financing of Terrorism, and the UN Convention against Transnational Organized Crime (UNTOC) have not yet been extended to the TCI. The UNTOC has been implemented in the TCI by various Orders in Council which were made in the UK and have legislative effect in the TCI.

Uganda

While Uganda is not a major hub for narcotics trafficking or terrorist financing, it is a growing site for money laundering. Because Uganda is the only member of the five-nation East African Community without AML legislation, authorities believe the flow of money into Uganda from neighboring countries is increasing. Uganda's inability to monitor formal and informal financial transactions, particularly along porous borders with Sudan, Kenya, Tanzania, and the Democratic Republic of Congo render Uganda vulnerable to more advanced money laundering activities and potential terrorist financing. Money laundering in Uganda is primarily a domestic enterprise, deriving largely from government corruption, misappropriation of public funds and foreign assistance, abuse of the public procurement process, arms and natural resource smuggling, and exchange control violations. Proceeds are primarily laundered through cash-based real estate transactions.

Uganda's active informal economy also provides a fertile environment for money laundering as Uganda's black market for smuggled and counterfeit goods takes advantage of porous borders and lack of customs and tax collection enforcement capacity. Many Ugandans working abroad use an informal cash-based remittance system to send money to their families. Annual remittances are Uganda's largest single source of foreign currency. Counterfeit U.S. currency also is a recurring problem.

For more information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, finance companies and microfinance institutions, foreign exchange bureaus, insurance companies, and the securities sector

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks, finance companies and microfinance institutions, foreign exchange bureaus, insurance companies, and the securities sector

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* NO

With other governments/jurisdictions: NO

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Uganda 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 report can be found here: http://www.esaamlg.org/userfiles/UGANDA_MER1.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Ugandan efforts to combat money laundering are limited by the lack of comprehensive anti-money laundering (AML) legislation, severe resource constraints, and internal government corruption. Uganda has not criminalized money laundering. Uganda's Anti-Money Laundering Committee (UAMLC), which comprises multiple Ugandan government ministries and is chaired by the BOU, drafted a comprehensive AML bill approved by the Cabinet in January 2005. However, it remains stalled in Parliament, where there is little political will to pass it.

Current efforts to combat money-laundering are piecemeal and based on other legislation such as the Anti-Terrorist Act of 2002 and the Financial Institutions Act of 2004. The Anti-Terrorist Act makes terrorist financing illegal, but does not place it in the overarching framework of money laundering. There is no evidence that it has been used to effectively prosecute financiers of terrorism. There is no STR requirement for terrorist financing under this act.

The Financial Institutions Act provides the Bank of Uganda (BOU) with the ability to freeze accounts believed to hold funds which are the proceeds of crime, but does not provide procedures for releasing funds or forfeiture. It also gives the BOU authority to set KYC and STR requirements for financial institutions, foreign exchange bureaus, and deposit-taking microfinance institutions. However, reporting procedures remain unclear, and insufficient whistleblower protection limits the efficacy of these regulations. In November 2010, Uganda formally gazetted as statutes the guidelines mandating KYC procedures and reporting of large and suspicious transactions. The codified guidance regarding STR and CTR reporting, and KYC practices, is a good step forward, but does not take the place of a comprehensive AML law.

The BOU vigilantly monitors banks and other financial institutions, but does not closely monitor remittances or foreign exchange bureaus, or keep statistics on suspicious transaction reporting. The BOU does not keep data on filed reports, and no other government entity receives them. While the BOU's practices have enabled it to block some suspicious transactions and discourage money laundering to some extent, without an AML law the BOU remains powerless to seize laundered funds or take legal action against offenders. There is no requirement for more stringent KYC on PEPs. The Insurance Commission and Capital Markets Authority also have KYC and STR guidelines for their regulated entities, but no firm regulations.

The Criminal Investigations Department (CID) of the Ugandan Police Force is responsible for investigating financial crimes. The CID is understaffed and lacks adequate training in financial investigation techniques related to AML and terrorist financing. Internal corruption within the CID also hampers police investigative capacity. According to GOU officials, criminals often have access to technology that is more sophisticated than that available to police investigators.

In 2011, the Uganda Revenue Authority (URA) decided to implement a new policy requiring anyone involved in real estate purchases valued at more than \$20,000 to declare his/her source of income. This measure is intended to improve tax collection, but may have the side effect of deterring money laundering via the real estate sector. The policy remains controversial, however, and it is unclear when or if the URA will begin enforcing it.

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 and fraud; trafficking in drugs, arms or persons; organized crime; prostitution; and tax evasion. Various laundering methodologies are used, including the use of real estate, insurance, bulk cash smuggling, and financial institutions. There are a significant market for smuggled goods and a large informal financial sector in the country. These activities are linked to evasion of taxes and customs duties.

In October 2011, the Financial Action Task Force (FATF) removed Ukraine from its list of countries with “strategic deficiencies” following Ukraine’s enactment of amendments to its anti-money laundering/counter-terrorist financing (AML/CFT) legislation. Ukraine continues to work to further strengthen its AML/CFT regime.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, non-banking institutions, insurance companies, gambling institutions, credit unions, depositories, securities traders, registers, pawn shops, mail service operators and other operators conducting money transfers, real estate traders, certain traders of precious metals and stones, notaries, auditors, independent lawyers and leasing providers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 778,907 January - September 2011

Number of CTRs received and time frame: Not available

Ukraine combines STRs and CTRs in its reporting.

STR covered entities: Banks, non-banking institutions, insurance companies, gambling institutions, credit unions, depositories, securities traders, registers, pawn shops, mail service operators and other operators conducting money transfers, real estate traders, certain traders of precious metals and stones, notaries, auditors, independent lawyers, and leasing providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 13 in the first half of 2011

Convictions: One in the first half of 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdiction: YES

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Ukraine is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Ukraine_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While it does not appear that significant narcotics 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 outside financial institutions.

In April 2011, Ukraine adopted amendments to its AML/CFT legislation, making insider trading and stock market manipulation predicate crimes for money laundering and improving the procedures for administrative seizure related to terrorist assets. There is no corporate criminal liability because the Law on Corporate Liability has not taken effect yet. 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 and corruption within law enforcement and the courts. In order to correct these problems, Ukraine needs to reform its Prosecutor General's Office to allow for greater specialization of prosecutors and improved coordination among prosecutors, investigators, and the FIU. Additionally, although the current legislation provides for autonomous prosecution of money laundering, in practice a link is often sought between a specific predicate offense and money laundering. Ukrainian authorities are unable to break out prosecutions for autonomous money laundering, or cases where the money laundering offense is added to another predicate offense, as well as to differentiate between self- or third-party laundering.

Amendments to the AML law in 2010 require enhanced due diligence procedures for PEPs. However, the procedure of informing primary financial monitoring agencies about the list of PEPs of foreign countries is yet to be developed.

While Ukraine has the necessary treaties signed and ratified, in many instances they are not applied or applied poorly. This is particularly true in the area of international law enforcement cooperation, mutual legal assistance and asset forfeiture. 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.

United Arab Emirates

The United Arab Emirates (UAE) is the primary transportation and trading hub for the Persian Gulf States, East Africa, and South Asia. Its robust economic development, political stability, and liberal business environment have attracted a massive influx of people, goods, and capital which may leave the country vulnerable to money laundering activity. Dubai, especially, is a major international banking and trading center. The potential for money laundering is exacerbated by the large number of resident expatriates (roughly 80% – 85% of total population) who send remittances to their homelands.

A significant portion of the money laundering/terrorist financing (ML/TF) activity in the UAE is likely related primarily to proceeds from illegal narcotics produced in South West Asia. Narcotics traffickers from Afghanistan, where most of the world's opium is produced, are increasingly reported to be attracted to the UAE's financial and trade centers. Groups operating primarily outside the country almost certainly control the funds. Domestic public corruption contributes little to money laundering or terrorist financing.

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Regional hawalas and associated trading companies in various expatriate communities, most notably the Somalis, have established clearinghouses, the vast majority of which are not registered with the UAE government. Likewise, the UAE's proximity to Somalia has generated anecdotal reports suggesting some influx and/or transit of funds derived from piracy. There is no significant black market for smuggled goods in the UAE, but contraband smuggling (alcohol) probably generates some funds that are laundered through the system. There are some indications that trade based money laundering occurs in the UAE and that such activity might support terrorist groups in Afghanistan, Pakistan and Somalia.

Other money laundering vulnerabilities in the UAE include exploitation of cash couriers, the real estate sector, and the misuse of the international gold and diamond trade. The country also has an extensive offshore financial center and 38 free trade zones (FTZs). There are over 5,000 multinational companies located in the FTZs, and thousands more individual trading companies. Companies located in the free trade zones are considered offshore or foreign entities for legal purposes. However, UAE law prohibits the establishment of shell companies and trusts.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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 ***civily:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, hawalas, money exchange houses, finance companies, securities brokers, and insurance companies

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 479 in the first quarter of 2011
Number of CTRs received and time frame: Not available
STR covered entities: Banks, hawalas, money exchange houses, finance companies, securities brokers, and insurance companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
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; however, several areas requiring further action by the UAE Government (UAEG) remain. The UAEG should increase the capacity and resources it devotes to investigation of ML/TF both federally at the Anti-Money Laundering/Suspicious Cases Unit (AMLSCU) and at emirate-level law enforcement. AMLSCU needs to improve its timely financial information sharing capability to conform to international standards. The AMLSCU also needs additional resources to be able to execute its mandate of hawala supervision – currently it is not capable of supervising the vast number of hawalas in the country or enforcing hawala compliance.

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.

Although firms operating in the Dubai International Financial Center (DIFC) are subject to the AML law, the Dubai Financial Services Authority (DFSA) has issued its own anti-money laundering regulations and supervisory regime, which has caused some ambiguity about the Central Bank's and the FIU's respective authorities within the DIFC.

In September 2011 the UAEG enacted an inbound and outbound cash declaration regulation covering financial instruments valued at more than DHS 100,000 (approximately \$27,000), an amount above the desired standard but consistent with the traditional cash-based economy. Law enforcement and customs officials should conduct more thorough inquiries into large declared and undeclared cash imports into the country, as well as enforce outbound declarations of cash and gold utilizing existing smuggling laws.

Law enforcement and customs officials should proactively develop cases based on investigations, rather than wait for STR-based case referrals from the AMLSCU. 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 abuse 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 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 purchase of high-value assets to disguise illegally obtained money.

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For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, credit unions, building societies, emoney issuers, and credit institutions; insurance companies; securities and investment service providers and firms; independent legal professionals, auditors, accountants, tax advisors, and insolvency practitioners; estate agents; casinos; high value goods dealers; and trust or company service providers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 240,582 (October 1, 2009 – September 30, 2010)

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, credit unions, building societies, emoney issuers, and credit institutions; insurance companies; securities and investment service providers and firms; independent legal professionals, auditors, accountants, tax advisors, and insolvency practitioners; estate agents; casinos; high value goods dealers; and trust or company service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 2,439 in 2009

Convictions: 1,411 in 2009

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** 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: http://www.fatf-gafi.org/infobycountry/0,3380,en_32250379_32236963_1_70432_1_1_1,00.html

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, and its legislative framework relies on “reasonable belief” rather than “reasonable suspicion” as the burden of proof for freezing assets. The UK continuously reviews and assesses the effectiveness and proportionality of its AML/CFT regime – including through the approval of updated and more accessible industry guidance. In order to improve the regime further, and based on the responses in a recent industry consultation, the UK plans to announce proposals to improve guidance and will publish these towards the end of the year.

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The Financial Services Authority, which supervises firms for compliance with their legal and regulatory obligations, including those related to politically exposed persons (PEPs), will be merged with the Bank of England at the end of 2012. Also, the Serious Organized Crime Agency, which includes the UK financial intelligence unit, will transition to the National Crime Agency by 2013. It is important that these changes not impede the UK's AML/CFT efforts.

Uruguay

Uruguay remains vulnerable to the threats of money laundering (ML) and terrorist financing (TF). Uruguay has a highly dollarized economy, with the U.S. dollar often used as a business currency; about 75% of deposits and 50% of credits are denominated in U.S. dollars. Officials from the Uruguayan police and judiciary assess that there is a growing presence of Mexican and Colombian criminal organizations in the region and are concerned they could begin operating in Uruguay. Drug dealers are increasingly participating in other illicit activities like car theft and trafficking in persons.

The vast majority of money laundering cases that have become public have been related to drugs and/or involve the real estate sector. Uruguay has porous borders with Argentina and Brazil and, despite its small size, there is a market for smuggled goods that is greatly determined by price differentials between Uruguay and its neighbors. Regular trade-based money laundering is likely to occur but specialists do not identify it as a major source of risk, and there is no indication it is tied to terrorist financing. However, bulk cash smuggling is likely to occur. Public corruption does not seem to be a significant factor behind money laundering or terrorist financing. To the extent known, laundered criminal proceeds derive primarily from foreign activities related to drug-trafficking organizations.

Given the longstanding free mobility of capital in Uruguay, the informal financial sector is practically non-existent. Money is therefore likely to be laundered via the formal financial sector (onshore or offshore). The six offshore banks operating in Uruguay are subject to the same laws, regulations, and controls as local banks, with the Government of Uruguay (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 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 ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 150 - January 1–November 4, 2011

Number of CTRs received and time frame: Not available

STR 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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Four in 2009

Convictions: Four in 2009

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Uruguay is a member of the Financial Action Task Force on Money Laundering in South America (GAFISUD), a Financial Action Task Force-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 continued making progress in 2011. The main development was the design of a new National Strategy against money laundering put together with the technical support of the IMF. The project, expected to be a major improvement from the previous 2007 strategy, was developed in two stages: identification of the most vulnerable areas (2010) and design of a strategy to address those (2011). The strategy will be implemented in 2012-2015.

The GOU is also strengthening its Anti-Money Laundering Secretariat (AMLS) that will grow in scope and staff. In addition to developing the new strategy, in 2011, the AMLS continued working with non-financial sector entities obliged to report suspicious transactions, mainly notaries, real estate agents and casinos. The AMLS has made substantial progress in the design of standardized forms with the local association of notaries. A group of large bureaus that administer corporations are also developing auto-regulatory standards. The AMLS also is very focused on financial investigations and seeks to create awareness about the importance of seizing assets as well as imprisoning criminals.

Another positive development is the signing of an MOU under which the Financial Intelligence Unit (UIAF) is granted immediate online access to the database of the tax administration authority (DGI). In turn, DGI is working to open an international division to work on AML cases that are reported from abroad.

Other UIAF-related developments in 2011 include the design of a set of early-warning indicators that will allow it to leverage its comprehensive database of currency transaction reports, and the upgrading of regulations for firms that wire funds in order to level the playing field vis-à-vis financial services firms (a structure that stemmed from some large exchange houses).

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The Superintendency of Financial Services, which oversees the UIAF, is also in the process of redesigning and upgrading management requirements for financial companies. This process entails the extension to insurance and capital market institutions of strong management practices already established for banks. In 2011, the Superintendency made significant progress with insurance companies and moderate progress with capital market institutions. The UIAF also emphasized onsite inspections of capital market institutions that previously received less attention than banking firms.

Prosecutions and convictions dropped in 2010 and 2011. In 2009 alone the GOU had frozen assets totaling \$17 million. In 2011, it did not freeze any funds except for one safe-deposit box.

The GOU should amend its legislation to provide for criminal liability for legal persons.

Uzbekistan

Uzbekistan operates largely on a cash economy and with decentralized accounting systems, which makes money laundering difficult to detect. Furthermore, deficiencies in Uzbekistan's recently-enacted AML/CFT law pose significant risks of money laundering and terrorism financing.

Uzbekistan is not an important regional financial center and does not have a well-developed financial system. Corruption, narcotics trafficking and smuggling generate the majority of illicit proceeds. Local and regional drug trafficking and other organized crime organizations control narcotics markets and proceeds from other criminal activities, such as smuggling of cash, high-value transferable assets (e.g., gold), property, or automobiles. Uzbekistan is home to a significant black market for smuggled goods. This black market does not appear to be significantly funded by narcotics proceeds, but can be used to launder drug-related money.

The presence of hawalas, money or value transfer services, and free trade zones poses risks in regard to money laundering; however, there is little publicly available information on these entities.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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: NO civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO
KYC covered entities: Banks, credit unions, micro-credit institutions, securities brokers, members of the Stock Exchange, insurance brokers, leasing companies, money transfer companies, postal operators, dealers in precious metals and stones, real estate agents, notaries, lawyers, audit organizations, pawn shops, and lotteries

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 17,151 in 2010

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Number of CTRs received and time frame: Not available

STR covered entities: Banks, credit unions, micro-credit institutions, securities brokers, members of the Stock Exchange, insurance brokers, leasing companies, postal operators, dealers in precious metals and stones, real estate agents, notaries, lawyers, and audit organizations

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 61 in 2010

Convictions: 58 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Uzbekistan is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: http://eurasiangroup.org/ru/restricted/EAG_ME_2010_1_eng_amended.doc

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Uzbekistan's legal system is generally susceptible to corruption and political influence. Legislation to reestablish AML measures has been adopted piecemeal since April 2009, leading to confusion from vague requirements, incomplete procedures and occasional conflicts with banking regulations. Government secrecy surrounding cases and statistics inhibits evaluation. The Prosecutor General's Office attempts to maintain secrecy by not releasing the criteria for identifying suspicious transactions, even to banks. Fearing the consequences of not reporting criminal activity, banks adopted excessively cautious policies that led to massive over-reporting in 2010.

Ambiguities in the law make it difficult to determine the division of authority among the Prosecutor General's Office and other law enforcement bodies in money laundering cases. In addition to the Financial Intelligence Unit (FIU), the Ministry of Internal Affairs and the National Security Service also investigate money laundering and terrorist finance, respectively, and both are making efforts to build financial crime departments.

The ability to freeze assets is limited; financial institutions can hold suspicious transactions for three business days, and the FIU can extend that by two days. After five business days the transaction must be resumed unless the assets can be seized as the result of a criminal case, leaving a very narrow window for investigation. The porous borders also allow for money to exit Uzbekistan into neighboring countries.

In July 2011, Uzbekistan was admitted as a member of the Egmont Group of Financial Intelligence Units. International donors are advising the government on money laundering issues to improve the legal framework and build national enforcement capacity.

Vanuatu

The Pacific island nation of Vanuatu has a developing economy that is primarily agriculturally based; it is closely tied to the economies of Australia and New Zealand. Vanuatu has historically maintained strict bank secrecy provisions that have prevented law enforcement agencies from identifying the beneficial owners of offshore entities registered in the sector, making its offshore sector vulnerable to money laundering. In 2010, the offshore banking sector included eight international banks and 3,600 international business companies, along with offshore trusts and captive insurance companies.

The Reserve Bank of Vanuatu (RBV) regulates the offshore banking sector and in recent years, in response to international pressure, has strengthened domestic and offshore financial regulation.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Financial institutions, insurance and securities companies, foreign exchange instrument dealers, money remitters, casinos, lawyers, accountants, trust and company service providers, auditors, real estate agents, and car dealerships

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 40

Number of CTRs received and time frame: Approximately 8,500

STR covered entities: Financial institutions, insurance and securities companies, foreign exchange instrument dealers, money remitters, casinos, lawyers, accountants, trust and company service providers, auditors, real estate agents, and car dealerships

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: One

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Vanuatu is a member of 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/Vanuatu%20ME2%20_Final_.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Vanuatu (GOV) should implement all the provisions of its Proceeds of Crime Act and enact all additional legislation that is necessary to bring both its onshore and offshore financial sectors into compliance with international standards. The GOV should also establish a viable asset forfeiture regime. The GOV should continue to initiate outreach to all reporting institutions regarding customer due diligence obligations, as well as establish legislative requirements for financial institutions to have policies and procedures to address risks arising from new or developing technologies such as mobile payments and internet payment providers.

The Vanuatu Financial Intelligence Unit is the body charged with investigation into financial crime; it works closely with the Vanuatu Police Force.

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The Attorney General possesses the authority to grant requests for international assistance in a criminal matter, and may require government agencies to assist in the collection of information pursuant to the request. Money laundering is an extraditable offense, but the GOV does not recognize or enforce foreign non-criminal confiscation orders.

On July 12, 2011, the GOV became a party to the UN Convention against Corruption.

Venezuela

Venezuela is a major cocaine-transit country. The country's proximity to drug producing countries, weaknesses in its anti-money laundering regime, limited bilateral cooperation, and 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. The current regime of price and foreign exchange controls has provided opportunities for corruption; and corruption continues to be a very serious problem in Venezuela.

Money laundering occurs through commercial banks, exchange houses, gambling sites, fraudulently invoiced foreign trade transactions, smuggling, real estate, agriculture and livestock businesses, securities transactions, and trade in precious metals. Venezuela's multiple exchange rates allow launderers to profit from arbitrage conditions while using the black market. 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.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, leasing companies, money market and risk capital funds, savings and loans, foreign exchange operators, regulated financial groups, and credit card operators; hotels and tourist institutions that provide foreign exchange; general warehouses or storage companies; regulated securities entities; regulated insurance entities; casinos, bingo halls, and slot machine operators; and regulated notaries and public registration offices

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 582 through June 30, 2011

Number of CTRs received and time frame: Not available

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STR covered entities: Banks, leasing companies, money market funds, savings and loans, foreign exchange operators, regulated financial groups, and credit card operators; hotels and tourist institutions that provide foreign exchange; general warehouses or storage companies; regulated securities entities; regulated insurance entities; casinos, bingo halls, and slot machine operators; and regulated notaries and public registration offices

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 13 from July 2010 - January 2011

Convictions: Two cases, involving seven persons from July 2010 - January 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

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://www.cfatf-gafic.org/downloadables/mer/Venezuela_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Venezuela_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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 - 2011, there was no financial intelligence information exchange between Venezuela and the United States.

In 2010, the country was identified as having strategic anti-money laundering and counter-terrorist financing deficiencies and developed an action plan to address the following issues: 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; and establishing adequate STR reporting obligations for money laundering and terrorist financing. The country has approved new regulations and improved the supervision of banks and securities intermediaries/brokers.

The judicial system has been ineffective and is politicized. During the year, legislation to strengthen supervision of insurance, securities, notaries and operators of casinos, bingo halls and slot machines was passed. Venezuela must increase its institutional infrastructure and technical capacity so it can effectively implement these new regulations. The government should adopt the amendments to incorporate anti-money laundering reforms into the organic law as recommended by international experts.

Vietnam

Vietnam is not an important regional financial center, but is a site of significant money laundering activities. Vietnam has a largely cash-based economy, with both U.S. dollars and gold widely used as a means of exchange and stored value. The sources of illicit funds in Vietnam include public corruption, fraud, gambling, prostitution, counterfeiting of goods and trading in counterfeits, and trafficking in women and children. Remittances from the proceeds of narcotics trafficking in Canada, the United Kingdom and the United States are a significant source of money laundering, as are narcotics proceeds from traffickers using Vietnam as a transit country.

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Vietnam's banking sector is in transition from a state-owned to a partially-privatized industry. At present, about 50% of the assets of the banking system are held by state-owned commercial banks that allocate much of the available credit to state-owned enterprises, many of which are related through interlocking directorates. Almost all trade and investment receipts and expenditures are processed by the banking system, but transactions are not monitored effectively. As a result, the banking system could be used for money laundering through false declarations, including phony investment transactions and over- or under-invoicing of exports and imports. Real property is also believed to play a significant role in the money laundering process.

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:* NO *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO *Domestic:* NO
KYC covered entities: Banks, non-bank financial institutions, lawyers and legal consultancy companies; games of chance, casinos or lotteries; promoters; real estate trading service companies; and traders in gold, silver and precious stones

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 267 from July 2010 through June 2011
Number of CTRs received and time frame: Not applicable
STR covered entities: Credit institutions, money changers, remittance agents, insurance, securities dealers, casinos and games of chance

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None
Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO
With other governments/jurisdictions: YES

Vietnam 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/Vietnam%20ME1.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In October 2010, the Government of Vietnam (GOV) made a high-level political commitment and adopted an action plan to address its strategic anti-money laundering /counter-terrorist financing (AML/CFT) deficiencies. In March 2011, Vietnam's Prime Minister issued a decision that set out a revised action plan to adequately criminalize money laundering and terrorist financing, establish adequate procedures to identify and freeze terrorist assets, improve the AML/CFT supervisory framework, enhance customer due diligence and reporting, and strengthen international cooperation. A second draft of the AML law, intended to address significant deficiencies, is now under review but fails to address the legal

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deficiencies that preclude the comprehensive criminalization of money laundering. The draft AML law includes only preventative measures and not enforceable obligations with penalties for criminal offenses.

The amended AML provisions of the Penal Code took effect on January 1, 2010. These provisions define money laundering as an independent criminal offense. However, they do not meet current international standards, with deficiencies that include a very high burden of proof (essentially, a confession) to pursue money laundering allegations. Consequently, prosecutions are non-existent and international cooperation is extremely difficult. This difficulty is compounded by the lack of administrative regulations providing guidance on implementation. The Penal Code also does not include a definition of ‘property’ that is in line with international standards and therefore limits the offense for money laundering. Additionally, legal persons are not subject to criminal liability under the Penal Code. Vietnam currently has no plans to impose criminal liability on legal persons because of perceived conflicts with fundamental principles of domestic law.

AML Decree 74 on Preventing and Combating of Money Laundering (Decree 74) specifies STR reporting obligations but, in practice, the Anti-Money Laundering Department (AMLDD) of the State Bank of Vietnam appears to receive little of the financial information required by this decree. Given the size of Vietnam’s economy, the number of reports received is low and suggests a correspondingly low level of STR compliance. All STRs are received in paper form; the AMLDD lacks an electronic information reporting and analysis system, limiting its ability to collect, store, and analyze financial transactions. Vietnam should ensure the AMLDD acquires such a system, and give its law enforcement authorities the necessary resources to investigate and prosecute money laundering, trade fraud, and financial crimes in Vietnam’s informal economy. Decree 74 regulates customer identification and the collection of customer details and documents. It does not explicitly require verification of a customer’s identity, unless the financial institution becomes “suspicious.” However, circulars provide specific instructions for verification of identity in situations where identification is required. Also, the concept of “politically exposed persons” (PEP) is not addressed in Decree 74. Though the draft of the new AML law partially addresses PEP requirements, there are currently no enforceable obligations addressing PEP requirements.

There has been no known exchange of records pursuant to any inter-governmental exchange mechanism, despite Vietnam’s 28 bilateral mutual legal assistance treaties. The Ministry of Public Security (MPS) signed a non-binding memorandum of understanding with the U.S. Drug Enforcement Administration (DEA) in 2006 to strengthen law enforcement cooperation in combating transnational drug-related crimes, including money laundering. MPS claims, however, that it cannot provide such information due to constraints within the Vietnamese legal system. Vietnam does not have a comprehensive system for implementing UNSCR 1267 or 1373 and lacks a system for freezing terrorist assets in accordance with these resolutions. While Vietnam has criminalized terrorist financing, it is not criminalized as an autonomous offense.

Vietnam should pass and implement the draft AML law and criminalize money laundering according to international standards. The GOV also should complete drafting its anti-terrorism law and comprehensively criminalize terrorist financing. Additionally, the GOV should become a party to the UN Convention against Transnational Organized Crime.

Yemen

The financial system in Yemen is not well developed and the extent of money laundering is not known. Yemen is not considered a regional financial center. However, government corruption, substantial politicization of government institutions, a largely cash based economy, and lax government enforcement of existing laws and regulations render Yemen vulnerable to money laundering and other financial

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abuses—including possible terrorist financing. Yemen has a large underground economy due, in part, to the profitability of the smuggling of trade goods and contraband. Criminal proceeds in Yemen tend to emanate from foreign criminal activity, including smuggling by criminal networks, and, possibly, terrorist groups operating locally, although the extent is unknown. There have been a number of U.S. investigations of Yemeni and East African natives smuggling khat from the East African region, including Yemen, Somalia and Ethiopia, into the United States with profits laundered and repatriated via hawala networks.

Yemen has a free trade zone (FTZ) in the port city of Aden. Identification requirements within the FTZ are enforced. Truckers must file the necessary paperwork in relevant trucking company offices and must wear ID badges. FTZ employees must undergo background checks by police, the Customs Authority and employers. There is no evidence the FTZ is being used for trade based money laundering or terrorist financing schemes.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, exchange companies, insurance companies, funds transfer companies, General Post and Postal Savings Authority, real estate agents, gold or precious metal dealers, public notaries, lawyers, accountants, financial and investment services companies, various government ministries such as the Central Organization for Control and Audit, Central Bank of Yemen, Ministry of Industry and Trade, and others

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 35 in 2010

Number of CTRs received and time frame: Not available

STR covered entities: Banks, exchange companies, insurance companies, funds transfer companies, General Post and Postal Savings Authority, real estate agents, gold or precious metal dealers, public notaries, lawyers, accountants, financial and investment services companies, various government ministries such as the Central Organization for Control and Audit, Central Bank of Yemen, Ministry of Industry and Trade, and others

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None in 2011

Convictions: None in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO

With other governments/jurisdictions: YES

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Yemen 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/MER_Republic_of_Yemen.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Yemen's law 1/2010 requires obliged sectors to file STRs and establishes the Financial Information Unit (FIU) in the Central Bank of Yemen. The FIU has promulgated regulations, Circular Number 1 for 2010, pursuant to this law; however, in practice, compliance is limited, both with the law and with standard KYC requirements. The FIU has only a few employees and no computerized database, nor is it networked to other government or regional financial data systems. The FIU needs substantial improvement of its operational capacity, especially its analytical capacity, to effectively fulfill its responsibilities.

The government needs to develop an anti-money laundering/counter-terrorist financing regime that conforms to international standards. Even with the 2010 law, the Government of Yemen (GOY) needs to improve its inter-ministerial coordination, standards, policies, and procedures to enable it to effectively detect, investigate, and prosecute money laundering activities. Law enforcement as well as border control agencies are reactive rather than proactive in money laundering matters. The GOY needs to investigate and prosecute any abuse of money/value transfer systems such as hawala networks with regard to money laundering and terrorist financing. Law enforcement and customs authorities also need to examine trade-based money laundering and customs fraud. Yemen has a cross-border declaration or disclosure requirement for cash; however, compliance is lax and customs inspectors do not routinely file currency declaration forms if funds are discovered.

The GOY has no effective institutionalized coordination or information sharing procedures for terrorism matters among the different ministries and has yet to implement steps listed under the UN international terrorism protocols, to which Yemen is a party. Any request to Yemen for mutual assistance is to be conducted through diplomatic channels rather than through faster and more expedient administrative channels. The GOY lacks specific legislation with respect to forfeiture of the assets of suspected terrorists. Yemen has not applied UN mandated sanctions or frozen the assets of Sheikh Abdul Majid Zindani, who was added to the UN 1267 Sanctions Committee's consolidated list in February 2004. There is no information on whether Yemeni authorities have frozen, seized, or demanded forfeiture of other assets related to terrorist financing. The GOY should enhance institutions that address terrorism financing and money laundering issues and strive to implement the UN counter-terrorism protocols.

Limited resources have hampered the government's ability to enforce AML laws and regulations. There is reportedly a lack of political support for full and vigorous enforcement of some aspects of the AML laws and related regulations. In 2011, civil strife further hindered the government's capacity on AML issues.

Zambia

Zambia is not a major financial center. The proceeds of narcotics transactions and money derived from public corruption are the major sources of laundered funds. Human trafficking, general smuggling, fraud, forgery, and tax evasion are also problems. Money laundering takes place in both the formal financial sector and the non-bank financial sector. Money launderers in Zambia have used structuring, currency exchanges, monetary instruments, gambling, under-valuing assets, front businesses, and non-financial institutions to launder their proceeds. Other laundering methodologies include securities, debit/credit

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cards, bulk cash smuggling, wire transfers, and false currency reporting. Further, some criminals use their proceeds to purchase luxury goods such as vehicles and real estate.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, money exchangers and remitters

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks, money exchangers and remitters, securities dealers and pension funds, insurance companies, leasing companies, the Bank of Zambia, the Registrar of Banks and Financial Institutions, the Registrar of Insurance, the Securities and Exchange Commissioner, the Commissioner of Lands, and the Registrar of Companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not Available

Convictions: Not Available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Zambia 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/Zambia_Mutual_Evaluation_Report.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2010, the Government of Zambia (GOZ) passed legislation creating a financial intelligence unit (FIU) independent from law enforcement agencies. The FIU has received little government funding and is not yet operational. The FIU has received some assistance from international donors and continues to look for capacity building and financial support. Like much of the Zambian government, authorities tasked with investigating and prosecuting financial crimes are hampered by a lack of resources and capacity.

In 2010, the major shareholder of Finance Bank, Zambia’s sixth largest bank, was charged with money laundering in connection with an illegal ownership stake in the bank. The Bank of Zambia also intervened in the operations of the bank, removed senior management, and dissolved the equity holders’ shares. In June 2011, the Zambian government sold Finance Bank. After September 2011 elections resulted in a change in government, the new Zambian government cancelled the sale and returned Finance Bank to its original equity holders.

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The GOZ is currently developing a number of multi-facility economic zones that are similar to free trade zones.

The Prevention and Prohibition of Money Laundering Act does not expressly set out any direct customer identification obligation, but the Bank of Zambia Anti-Money Laundering Directives of 2004 provide for a customer identification obligation. Zambian banks also have voluntarily adopted KYC rules.

The GOZ should become a party to the UN International Convention for the Suppression of the Financing of Terrorism.

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 is 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 from alluvial deposits in the Marange area of eastern Zimbabwe.

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 arising from the multiple exchange rates and opaque foreign-exchange controls that were in place until 2009. Legislators from all parties in the coalition government have increased scrutiny of government activities, and ministers from former opposition parties have pushed for further reforms. For example, 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).

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.

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Commercial banks, acceptance houses, discount houses, money transfer agencies, *bureaux de change*, legal practitioners, accounting firms, pension funds, real estate agents, cash dealers, and finance houses

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

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Number of STRs received and time frame: None in 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Commercial banks, acceptance houses, discount houses, money transfer agencies, *bureaux de change*, legal practitioners, accounting firms, pension funds, real estate agents, cash dealers, and finance houses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None in 2011

Convictions: None in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other Mechanism:** NO

With other governments/jurisdiction: 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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Zimbabwe has developed an action plan to address its strategic AML/CFT deficiencies. Zimbabwe needs to adequately criminalize money laundering and terrorist financing; establish and implement adequate procedures to identify and freeze terrorist assets; ensure a fully operational and effectively functioning financial intelligence unit; and ensure financial institutions are aware of and comply with their obligations to file suspicious transaction reports.

Law enforcement and regulatory agencies lack the resources to combat money laundering vigorously. Anti-money laundering (AML) legislation is sometimes abused for political purposes. More broadly, corruption sometimes impedes application of Zimbabwe's AML mechanisms. Zimbabwe has criminalized money laundering and put in place mechanisms for freezing and forfeiting assets; however, deficiencies remain in being able to do so in a timely manner. The banking system can quickly freeze accounts, but financial institutions typically receive information related to designations from private sources and not government agencies. Zimbabwe has broad legislation on mutual legal assistance in both civil and criminal cases. In general, there are no legal or practical impediments to rendering assistance, providing both Zimbabwe and the requesting country criminalize the conduct underlying the offense.

The GOZ should become a party to the International Convention for the Suppression of the Financing of Terrorism.