

Legislative Basis for the INCSR

The Money Laundering and Financial Crimes section of the Department of State's International Narcotics Control Strategy Report (INCSR) has been prepared in accordance with section 489 of the Foreign Assistance Act of 1961, as amended (the "FAA," 22 U.S.C. § 2291). The 2004 INCSR, issued in two volumes, is the eighteenth annual report prepared pursuant to the FAA. In addition to addressing the reporting requirements of section 489 of the FAA (as well as sections 481(d)(2) and 484(c) of the FAA and section 804 of the Narcotics Control Trade Act of 1974, as amended), the INCSR provides the factual basis for the designations contained in the President's report to Congress on the major drug-transit or major illicit drug producing countries initially set forth in section 591 of the Kenneth M. Ludden Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2002 (P.L. 107-115) (the "FOAA"), and now made permanent pursuant to section 706 of the Foreign Relations Authorization Act, Fiscal Year 2003, (P.L. 107-228)(the "FRAA").

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

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

In attempting to evaluate whether countries and certain entities are meeting the goals and objectives of the 1988 UN Drug Convention, the Department has used the best information it has available. The 2003 INCSR covers countries that range from major drug producing and drug-transit countries, where drug control is a critical element of national policy, to small countries or entities where drug issues or the capacity to deal with them are minimal. In addition to identifying countries as major sources of precursor chemicals used in the production of illicit narcotics, the INCSR is mandated to identify major money laundering countries (FAA §489(a)(3)(C)). The INCSR is also required to report findings on each country's adoption of laws and regulations to prevent narcotics-related money laundering (FAA §489(a)(7)(c)). This report is that section of the INCSR that reports on money laundering and financial crimes.

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

Major Money Laundering Countries in 2003

Antigua and Barbuda, Australia, Austria, Bahamas, Bosnia and Herzegovina, Brazil, Burma, Canada, Cayman Islands, China, Colombia, Costa Rica, Cyprus, Dominican Republic, France, Germany, Greece, Guernsey, Haiti, Hong Kong, Hungary, India, Indonesia, Isle of Man, Israel, Italy, Japan, Jersey, Latvia, Lebanon, Liechtenstein, Luxembourg, Macau, Mexico, Nauru, Netherlands, Nigeria, Pakistan, Panama, Paraguay, Philippines, Russia, Singapore, Spain, Switzerland, Taiwan, Thailand, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States, Uruguay, and Venezuela.

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

Introduction

“Follow the money” became an increasingly important and effective thrust of law enforcement and other international efforts in the fight against transnational crime and terrorism in 2003. Against the backdrop of terrorist attacks in Saudi Arabia, Malaysia, the Philippines, Thailand, Turkey, Indonesia, Israel and Russia last year, the international community intensified its efforts to develop coordinated, targeted actions to thwart money laundering and terrorist financing. By the end of the year, important gains had been made across all fronts that mattered most, setting the stage for further progress in 2004 and beyond. International anti-money laundering and antiterrorist financing standards were stronger and increasingly in effect in more countries. The countries most vulnerable to terrorist financing were well on their way to receiving technical assistance packages to develop comprehensive anti-money laundering regimes to eliminate these vulnerabilities. Assets belonging to criminals and terrorists continued to be identified, frozen, and seized. Intelligence developed by following the money led to the identification and subsequent investigation of key criminals and terrorists or terrorist supporters. And scarce assistance assets also were used more efficiently: burden sharing among our allies in the donor community expanded and reliance on regionally focused training programs grew.

One important positive measure of these developments is that crime and terrorism-related funds are now harder than ever to move clandestinely through formal domestic and international financial channels. But this achievement hardly means that we have put the money laundering and terrorist financing challenge behind us. The stakes remain too high for our adversaries to think they need not counter our efforts: transnational crime continues to pay big, and the terrorists are fighting for their survival. Money will continue to motivate, lubricate, and sustain their ambitions. And if they cannot now move or acquire funds as easily as they did before through formal channels, they will seek alternative laundering and financing methods to undermine our international efforts and overcome the obstacles we have thrown in their way. Evidence of this can be seen as investigation after investigation reveals the increasingly important role of “alternative remittance systems”—Hawalas, the black market peso exchange, and other forms of trade-based money laundering—in facilitating transnational crime and terrorism. Often based simply on trust of family and ethnic cohorts, these systems of “recordless” transactions are shaping the next generation of anti-money laundering and antiterrorist financing challenges. The challenges presented by the use of these systems are also influencing the responses of authorities worldwide with regard to setting of standards, training, institution building, data collection, and investigations.

On the standard-setting front, the Financial Action Task Force (FATF) continued to provide critical guidance as to how best to attack the full range of financial crime. FATF welcomed South Africa and Russia as its 32nd and 33rd members, and it completed the second revision of its Forty Recommendations since its formation in 1989. The revisions address a number of deficiencies in

earlier versions, such as the need to prohibit shell banks and to cover “gatekeepers” like lawyers, accountants, and notaries who work outside the financial sector but can nevertheless help with arranging and structuring accounts. FATF also elaborated on its eight Special Recommendations on Terrorist Financing, which it promulgated in 2001 by publishing guidance and best practices notes to help regulators, enforcers, financial institutions and others better understand and implement the most technical recommendations. The FATF-style regional bodies worked throughout the year to adopt these recommendations in line with their particular regional requirements. The IMF and World Bank have also incorporated FATF’s recommendations into the financial sector reviews they undertake.

FATF sustained the behavior-changing pressure of its Non-cooperative Countries and Territories (NCCT) process. Out of the 23 jurisdictions FATF has designated as NCCTs over the past five years, nine still remain on the list, and of those, FATF member states are imposing additional countermeasures on Nauru and Burma for their persistent inability to adequately comply with FATF’s recommendations. As a rule, however, the threat of countermeasures has motivated countries to improve their compliance, to wit: Ukraine passed new anti-money laundering laws in early 2003 just in time to have FATF lift countermeasures for Ukraine at its February plenary, and the Philippines, after receiving assistance from the United States, Australia, and Japan, passed revised anti-money laundering laws in time for countermeasures that were to go into effect in March to be withdrawn.

The United States remains particularly concerned about terrorist financing activity in a core set of approximately two-dozen countries around the world. Accordingly, the bulk of U.S. anti-money laundering technical assistance is focused on making these countries less vulnerable to the terrorist financing threat and on making terrorists and their assets more vulnerable to counter attacks. The U.S. State Department is funding most of this inter-agency effort and is coordinating and leading the entire undertaking of technical assistance. So far, the Department has led comprehensive vulnerability and needs assessments of, and produced training and technical assistance implementation plans for, 17 of these priority countries. The remaining assessments are planned for 2004, security and political conditions permitting. Assistance, pegged to the implementation plans, is being provided to all of the assessed countries. The program takes a systemic and comprehensive approach, with assistance—targeted at five core objectives—delivered in both sequential and parallel stages:

- Countries must first have adequate anti-money laundering/antiterrorist financing laws. They must comply with FATF’s anti-money laundering and antiterrorist financing recommendations including the criminalization of money laundering and terrorist financing and the establishment of effective measures to block and freeze assets.
- With appropriate laws in place, training and technical assistance can be focused to simultaneously develop the three core entities responsible for implementing laws. Training is provided for criminal investigators in customs and other law enforcement services to assist them in detecting and tracking money laundering and terrorist financing and in developing the evidence to support indictments and prosecutions against criminals and terrorists; for regulators that supervise the financial sector so that they can ensure that all relevant banking and nonbanking financial institutions know and follow “know your customer,” suspicious transaction reporting, and other record keeping and good practices procedures; and for the prosecutors and judges who will be key to the criminal prosecution of cases against criminals, terrorists and their supporters.
- Typically, the capstone to this effort is the development of Financial Intelligence Units (FIUs), which are often tasked with developing the regulations that banking and nonbanking financial organizations must follow and where suspicious transaction reports and other intelligence is collected, analyzed and disseminated both to help

develop cases domestically and sharing internationally through FIUs in other countries as part of transnational investigations.

The U.S. Government, however, is not the sole provider of such assistance. The United States supports a number of regional training programs around the world in which officials from neighboring countries are brought together for specialized anti-money laundering and antiterrorist financing training. The global network of International Law Enforcement Academies (ILEAs), funded and managed by the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL), has enhanced its anti-money laundering curricula, including the incorporation of new segments on terrorist financing. The State Department's Anti-terrorist Assistance (ATA) Program similarly includes terrorist financing segments in the curricula it delivers at various antiterrorism training centers around the world such as the Malaysian-run Southeast Asia Regional Center for Counterterrorism. These and other broad-based training initiatives allowed the U.S. to provide some form of anti-money laundering or antiterrorist financing assistance to nearly 100 countries in 2003.

International efforts to identify, block, and freeze terrorist assets persevered in 2003; however, the task is growing more challenging as the most vulnerable targets have been successfully attacked and as terrorists employ countermeasures to further protect their funds. The U.S. Treasury reports that at the end of 2003, some \$140 million worth of terrorist assets worldwide have remained blocked since the crackdown began shortly after September 11, 2001. This represents approximately a 12 percent increase from the \$125 million total at the end of 2002.

A number of factors help explain the slower pace in 2003. Most notably, assets were less concealed and thus more vulnerable to detection and blocking when measures were suddenly implemented in the immediate aftermath of 9/11; in short, the low hanging fruit has been picked. Meanwhile, to avoid the successful targeting of the formal financial sector, terrorist organizations appear to be placing more emphasis on traditional, ethnic-based alternative remittance systems, including trade-based money laundering, and on nongovernmental organizations such as charities. Identifying and tracking funds through these alternative networks—a tough enough assignment even for countries with sophisticated anti-money laundering regimes—is a staggering challenge for many of the key terrorist financing countries who are only now beginning to develop competent anti-money laundering institutions. The FATF has sought to help overcome this challenge by issuing various interpretative notes and best practices guidelines on its Special Recommendations dealing with charities and the blocking and freezing of assets. Indeed, at its 2003 annual typologies meeting, which addressed such issues as money laundering trends and enforcement and regulation best practices, FATF focused on the charities problem, particularly the challenge of tracking and monitoring funds raised by charities when they are distributed in areas that have no formal banking, accounting, or record keeping infrastructure and depend on cash economies.

Finally, important substantive strides were made with regard to burden sharing in 2003. The proliferation of terrorist attacks around the world brought the threat home to more and more countries and underscored the fact that no one country has the sole obligation or wherewithal to meet the entire challenge. Sharing the burden of anti-money laundering and antiterrorist financing training and technical assistance is especially important because it is so labor intensive. U.S. experts are particularly stretched because of their frequent need to undertake, nearly simultaneously, assessment, training, and investigative missions. Efforts to identify priorities and coordinate assistance by the major donor countries took an important step forward at the June 2003 G-8 Summit in Evian. There the heads of state agreed to establish the Counterterrorism Action Group (CTAG) for these priority-setting and coordination purposes. CTAG consists of the G-8 members (U.S., UK, France, Germany, Italy, Canada, Japan, and Russia), the European Union, and representatives of the UN Counterterrorism Center, as well as other representatives, invited on a case-by-case basis, who have demonstrated a willingness and ability to provide counterterrorism assistance. CTAG—recognizing the importance of the issue and the potential for burden sharing—focused its first mission on terrorist

financing. It has partnered with FATF, providing that organization with a list of countries CTAG members are interested in providing assistance to so that FATF can assess their antiterrorist financing technical assistance needs. FATF will deliver these assessments to the CTAG in early 2004 enabling the donors for the first time to follow through with coordinated, cost-saving and gap-closing counterterrorism technical assistance programs.

As we look beyond the accomplishments of 2003 and into the future, we see that much still remains to be done to combat money laundering and terrorist financing. There remain significant challenges in the adoption and implementation of anti-money laundering and antiterrorist financing standards worldwide. However, two new FATF-style regional bodies may be established in 2004, bringing more rigorous anti-money laundering disciplines to two regions especially critical in the war against terrorism: the Middle East and Central Asia. The U.S. will significantly enhance its anti-money laundering programs in East Africa as part of the President's counterterrorism initiative for this region. Operationally, the biggest challenge will be countering moves by criminals and terrorists to conduct their transactions through alternative, often underground, remittance systems. This will press intelligence collection and criminal investigation skills to their limits as they struggle to be effective in very closed, often hostile foreign environments. One of the means being considered to attack this challenge is the creation of an international network of Trade Transparency Units (TTUs). Patterned after the international network of Financial Intelligence Units (84 worldwide) that, among other missions, collect, analyze and disseminate information on suspicious transactions, the TTUs would similarly focus on detecting anomalies in trade data—such as deliberate over and under-invoicing—that can be a powerful predictor of trade-based money laundering. By focusing on commodities that often serve as stores-of-value, such as gold and precious gems, and are used to settle accounts without involving the formal financial sector, the TTUs would get to the heart of much of the alternative remittance challenge and help expose the criminals, terrorists, and their associates and assets to punitive and deterrent enforcement action.

These initiatives will be essential to achieving further progress against money laundering and terrorist financing. Progress will continue to require strong, imaginative and well-resourced leadership from the United States. But we need not go it alone. The gains the United States made in 2003 through its diplomatic and technical assistance efforts show an increasing willingness of the international community to cooperate in this fight—to comply with the measures needed to block, deter, and expose money laundering and terrorist financing, and to provide the assistance needed to turn the political will to comply into the operational ability to enforce the laws and regulations that lead to the confiscation of crime and terrorist-related assets and the prosecution and conviction of money launderers and terrorist financiers.

Money Laundering and Terrorist Financing—A Global Threat

International recognition of, and action against, the threat posed by money laundering continue to increase. Money laundering poses international and national security threats through corruption of officials and legal systems, undermines free enterprise by crowding out the private sector, and threatens the financial stability of countries and the international free flow of capital. Undeniably, the revenue produced by some narcotics-trafficking organizations can far exceed the funding available to the law enforcement and security services of some emerging market countries.

Since September 11, 2001, the threat posed by money laundering's closely related corollary, terrorist financing, has also been more widely recognized. The amount of damage through loss of life and economic after-effects from a relatively small amount of operational funding can be devastating.

While terrorist financing shares most of the fundamental attributes of money laundering, and while the legal and regulatory regimes needed to control both are essentially the same, terrorist financing does exhibit some significant differences.

Money Laundering and Terrorist Financing: Differences and Similarities

Most crime is committed for financial gain. The primary motivation for terrorism, however, is not financial. While traditional narcotics-traffickers and criminal groups primarily seek monetary gain, terrorist groups usually seek nonfinancial goals, such as publicity for their cause and political influence. Ordinarily, criminal activity produces funds and other proceeds that traditional money launderers must disguise by taking large cash deposits and entering them into the financial system without detection. Funds that support terrorist activity may come from illicit activity but are also generated through means such as fundraising through legal nonprofit entities. In fact, a significant portion of terrorists' funding comes from contributors, some who know the intended purpose of their contributions and some who do not. Because terrorist operations require relatively little money (for example, the attacks on the World Trade Center and the Pentagon are estimated to have cost approximately \$500,000), terrorist financiers need to place substantially fewer funds into the hands of terrorist cells and their members. This is a significantly easier task than seeking to disguise the large amounts of proceeds generated by criminal and drug kingpins.

Funding Sources

Transnational organized crime groups have long relied on criminal proceeds to fund and expand their operations, and were pioneers in using corporate structures to commingle funds to disguise their origin. In particular, it is the terrorists' use of social and religious organizations, and to a lesser extent, state sponsorship, that differentiates their funding sources from those of traditional transnational organized criminal groups.

While actual terrorist operations require only comparatively modest funding, international terrorist groups need significant amounts of money to organize, recruit, train and equip new adherents; and otherwise support their activities. In addition to direct costs, some terrorist organizations also fund media campaigns, buy political influence, and undertake social projects that help maintain membership and attract sympathetic supporters.

Because of these larger organizational costs, terrorists often rely in part on funds gained from traditional crimes such as kidnapping for ransom, narcotics trafficking, extortion, credit card fraud, currency and merchandise counterfeiting, and smuggling. In this respect al-Qaida is an anomaly as, at least initially, it was largely self-financed by Usama Bin Ladin. In most cases, terrorists engage in some criminal activity and then use a portion of the proceeds to finance their terrorism efforts. Indeed, some Foreign Terrorist Organizations (FTOs), such as the Revolutionary Armed Forces of Colombia, (FARC), the United Self Defense Forces of Colombia (AUC) and *Sendero Luminoso* (Shining Path) in Peru, are so closely linked to the narcotics trade that they are often referred to as "narcoterrorists."

Like narcotics-related money launderers, terrorist groups also utilize front companies; that is, commercial enterprises that engage in legitimate enterprise, but which are also used to commingle illicit revenues with legitimate profits. Front companies are frequently established in offshore financial centers that provide anonymity, thereby insulating the beneficial owners from law enforcement. In addition to commingling the proceeds of crime, terrorist front companies also commingle donations from witting and unwitting sympathizers.

Money Movements of Criminal and Terrorist Funds

The methods used to move money to support terrorist activities are nearly identical to those used for moving and laundering money for general criminal purposes. In many cases, criminal organizations and terrorists employ the services of the same money professionals (including accountants and lawyers) to help move their funds.

Both terrorists and criminal groups have used and continue to use established mechanisms in the formal financial sector, such as banks, primarily because of their international linkages. Both terrorist organizations and narcotics-trafficking groups have exploited poorly regulated banking systems, and their built-in impediments to international regulatory and law enforcement cooperation, and have made use of their financial services to originate wire transfers and establish accounts that require minimal or no identification or disclosure of ownership.

In addition to the formal financial sector, terrorists and traffickers alike employ informal methods to move their funds. One common method is smuggling cash, gems or precious metals across borders either in bulk or through the use of couriers. Likewise, both traffickers and terrorists rely on currency or moneychangers. Moneychangers play a major role in transferring funds, especially in countries where currency or exchange rate controls exist and where cash is the traditionally accepted means of settling commercial accounts. These systems are also commonly used by large numbers of expatriates to remit funds to families abroad. Traffickers and terrorists have become adept at exploiting the weaknesses and lack of supervision of these systems to move their funds.

Both terrorists and traffickers have used alternative remittance systems, such as “hawala” or “hundi”, and underground banking; these systems use trusted networks that move funds and settle accounts with little or no paper records. Such systems are prevalent throughout Asia and the Middle East as well as within expatriate communities in other regions

Trade-based money laundering is used by organized crime groups and, increasingly, by terrorist financiers as well. This method involves the use of commodities, false invoicing, and other trade manipulation to move funds. Examples of this include the Black Market Peso Exchange in the Western Hemisphere, the use of gold in the Middle East and the use of precious gems in Africa.

Some terrorist groups may also use Islamic banks to move funds. Islamic banks operate within Islamic law, which prohibits the payment of interest and certain other activities. They have proliferated throughout Africa, Asia and the Middle East since the mid-1970s. Some of the largest Islamic financial institutions now operate investment houses in Europe and elsewhere. Many of these banks are not subject to a wide range of anti-money laundering regulations and controls normally imposed on secular commercial banks nor do they undergo the regulatory or supervisory scrutiny by bank regulators via periodic bank examinations or inspections. While these banks may voluntarily comply with banking regulations, and in particular, anti-money laundering guidelines, there is often no control mechanism to assure such compliance or the implementation of updated anti-money laundering policies.

Like money laundering, terrorist financing represents a potential exploitable vulnerability. In money laundering, transnational organized crime groups deliberately distance themselves from the actual crime and the jurisdiction in which it occurs; but they are never far from the eventual revenue stream. By contrast, funds used to finance terrorist operations are very difficult to track. Despite this obscurity, by adapting methods used to combat money laundering, such as financial analysis and investigations, use of task forces, and administrative blocking procedures, authorities can significantly disrupt the financial networks of terrorists, interdict the potential movement of terrorists’ funds and build a paper trail and base of evidence that helps to identify and locate the leaders of the terrorist organizations and cells.

Building the capacity of our coalition partners to combat money laundering and terrorist financing through cooperative efforts, and through training and technical assistance programs, is critical to our national security. While there are some important differences between how money laundering and terrorist financing is conducted, in terms of capacity building through training and technical assistance, there is no appreciable difference. The same measures that are required to establish a comprehensive anti-money laundering regime—sound legislation and regulations; suspicious transaction reporting mechanisms; financial intelligence units; on-site supervision of the financial sector; internal controls; trained financial investigators; legal authorization to utilize special investigative techniques; modern asset forfeiture and administrative blocking capability; and the ability to cooperate and share information internationally—are precisely the tools required to identify, interdict and disrupt terrorist financing.

Money Laundering Methods, Trends and Typologies

As in previous years, money launderers and supporters of terrorism have demonstrated great creativity in combining traditional money laundering techniques into complex money laundering schemes designed to thwart the ability of authorities to prevent, detect and prosecute money laundering. Below is a review of U.S. money laundering trends in 2003 and examples of the various money laundering/terrorist financing typologies.

Statistical Overview of U.S. Money Laundering Trends in 2003

The U.S. Suspicious Activity Reporting System plays a critical role in U.S. anti-money laundering efforts. Similar types of reporting throughout the world are key to global efforts to combat money laundering. The aggregate totals for U.S. Suspicious Activity Reports (SARs) help illustrate the nature of illegal proceeds and the relative scale of the problem. Depository institutions (i.e., banks, thrifts, savings and loans, and credit unions) have been required to file SARs since 1996. The USA PATRIOT Act extended the mandatory reporting requirements to brokers and dealers in securities, and the Department of the Treasury, pursuant to its rulemaking authority, extended it to casinos and money services businesses (MSBs), including money exchangers, sellers of traveler's checks and money transmitters.

The requirements went into effect on January 1, 2002 for MSBs, on January 1, 2003 for brokers and dealers in securities, and on March 25, 2003 for casinos. The regulations generally require that covered financial institutions file a SAR when they suspect violations of law or suspicious activities involving amounts greater than between \$2,000 and \$5,000, depending on the institution's applicable reporting threshold. The following chart provides aggregate totals for SARs filed by depository institutions (i.e., banks, thrifts, savings and loans, and credit unions) from April 1, 1997 through June 2003. Additionally, a small part of the total volume relates to reports filed by affiliates of depository institutions or, in some cases, filed voluntarily by MSBs; by brokers and dealers in securities who were not affiliated with banks; or by gaming businesses that, during the time period, were not yet required under the Bank Secrecy Act (BSA) to file SARs.

From inception of the SAR requirement in April 1996 through June 2003, a total of 1,126,488 SARs were filed, with the volume of filings increasing from 52,069 during 1996 to 273,823 in 2002. During the first six months of 2003, 136,115 SARs were filed.

Money Laundering and Financial Crimes

Financial institutions identifying suspicious transactions under the Bank Secrecy Act of 1970, chapter 53 of title 31, United States Code (BSA) are required to report such transactions by filing a SAR with the Financial Crimes Enforcement Network (FinCEN), in accordance with applicable regulations. SARs are not proof of illegal activity; rather they note possible wrongdoing that warrants further investigation. An actual determination of criminal activity can only be made following an investigation by law enforcement of the activity addressed in the SAR.

Table 1: Frequency Distribution of SAR Filings by Characterization of Suspicious Activity
April 1, 1997 Through June 30, 2003

Violation Type	1997	1998	1999	2000	2001	2002	2003
BSA/Structuring/Money Laundering	35,625	47,223	60,983	90,606	108,925	154,000	72,462
Bribery/Gratuity	109	92	101	150	201	411	261
Check Fraud	13,245	13,767	16,232	19,637	26,012	32,954	16,803
Check Kiting	4,294	4,032	4,058	6,163	7,350	9,561	5,333
Commercial Loan Fraud	960	905	1,080	1,320	1,348	1,879	934
Computer Intrusion ¹	0	0	0	65	419	2,484	3,605
Consumer Loan Fraud	2,048	2,183	2,548	3,432	4,143	4,435	2,271
Counterfeit Check	4,226	5,897	7,392	9,033	10,139	12,575	6,445
Counterfeit Credit/Debit Card	387	182	351	664	1,100	1,246	659
Counterfeit Instrument (Other)	294	263	320	474	769	791	615
Credit Card Fraud	5,075	4,377	4,936	6,275	8,393	12,780	6,037
Debit Card Fraud	612	565	721	1,210	1,437	3,741	4,575
Defalcation/Embezzlement	5,284	5,252	5,178	6,117	6,182	6,151	2,887
False Statement	2,200	1,970	2,376	3,051	3,232	3,685	2,316
Misuse of Position or Self Dealing	1,532	1,640	2,064	2,186	2,325	2,763	1,564
Mortgage Loan Fraud	1,720	2,269	2,934	3,515	4,696	5,387	3,649
Mysterious Disappearance	1,765	1,855	1,854	2,225	2,179	2,330	1,264
Wire Transfer Fraud	509	593	771	972	1,527	4,747	4,317
Other	6,675	8,583	8,739	11,148	18,318	31,109	15,854
Unknown/Blank	2,317	2,691	6,961	6,971	11,908	7,704	2,290
Totals	88,877	104,339	129,599	175,214	220,603	300,733	154,141

¹ The violation of Computer Intrusion was added to Form TD F 90-22.47 in June 2000. Statistics date from this period.

General Money Laundering Trends in 2003

Organized crime and narcotics-traffickers have used the following methods for decades to launder their illegal proceeds. These methods continue to be used frequently.

- Financial activity inconsistent with the stated purpose of the business;
- Financial activity not commensurate with stated occupation;
- Use of multiple accounts at a single bank for no apparent legitimate purpose;
- Importation of high dollar currency and traveler's checks not commensurate with stated occupation;
- Significant and even dollar deposits to personal accounts over a short period;
- Structuring of deposits at multiple bank branches to avoid Bank Secrecy Act requirements;
- Refusal by any party conducting transactions to provide identification;
- Apparent use of personal account for business purposes;
- Abrupt change in account activity;
- Use of multiple personal and business accounts to collect and then funnel funds to a small number of foreign beneficiaries;
- Deposits followed within a short period of time by wire transfers of funds;
- Deposits of a combination of monetary instruments atypical of legitimate business activity.
- Movement of funds through countries that are on the FATF list of NCCTs.

As in previous years, money launderers have demonstrated great creativity in combining traditional money laundering techniques into complex money laundering schemes designed to thwart the ability of authorities to prevent, detect and prosecute money laundering. Following is a review of U.S. money laundering trends in 2003 including examples of the various money laundering and terrorist financing typologies.

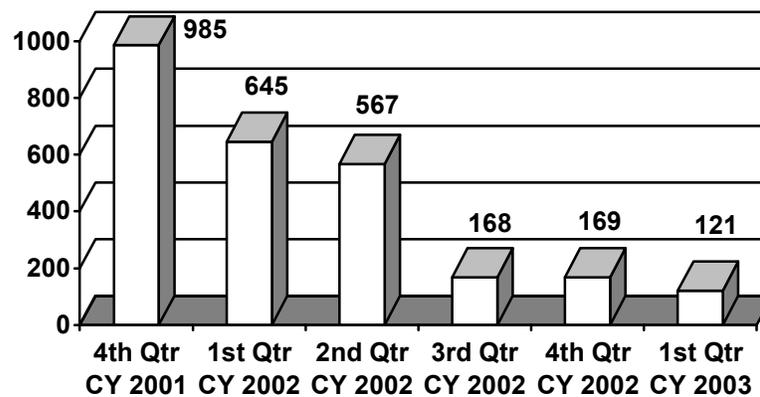
SARs Relating to Terrorist Financing

FinCEN continues to examine the SAR database to determine the extent to which SARs have been filed by institutions that suspect certain activities may relate to terrorism and terrorist financing. A recent review identified several interesting trends. First, the number of SARs submitted from financial institutions reporting suspected terrorism or terrorist financing has continued to decline steadily since the events of September 11, 2001. Secondly, of all SARs filed referencing terrorism, one-third were filed as a result of names appearing on government lists (Office of Foreign Assets Control or OFAC— or other watch lists) or in response to USA PATRIOT Act Section 314(a) information requests. Finally, the remaining two-thirds of all SARs reviewed appeared to be submitted as a direct result of proactive initiatives by institutions, which are becoming more aware of possible indicators of financial activity and transactions by suspected terrorists and terrorist organizations. In other words, institutions are becoming less dependent on specific lists and are identifying on their own suspicious activity as being potentially terrorist-related. This section offers a synopsis of SAR statistical data for the recent review period and identifies the general types of activities being reported in terrorist-related SARs.

Money Laundering and Financial Crimes

Chart 1: SARs filed relating to terrorism for the 18-month period (by Calendar Year quarters)

October 1, 2001 thru March 31, 2003.



As the above chart demonstrates, the number of filings began to steadily decline after the 4th quarter of calendar year 2001, the three-month period directly following the September 11th terrorist attacks.

Following is additional information about the 290 SARs filed between October 1, 2002 and March 31, 2003 (the last six months of the study) that reference terrorism and/or terrorist financing:

- Sixty-nine financial institutions, including five foreign banks licensed to conduct business in the United States, filed SARs (three banks filed 155 of the 290 SARs or 53.4 percent of the SARs filed).
- The suspicious activity reported in the SARs occurred in 35 states and the District of Columbia.
- Alleged suspicious activity amounts ranged up to \$193 million.

Eighty-four SARs (29 percent) filed were the result of apparent matches of names on OFAC's list of Specially Designated Nationals and Blocked Persons, from the USA PATRIOT Act's Section 314(a) Information Requests from law enforcement, names gleaned from media reports, or as a result of subpoenas issued by law enforcement.

The activity described in the SARs remained consistent with the activity described in previously issued SAR Review Reports. The activity included wire transfers predominantly to and from Middle Eastern countries; frequent use of domestic and foreign Automated Teller Machines (ATMs); and large currency transactions. The majority of the SARs filed (206 SARs or 71 percent) were a result of depository institutions' discoveries during the due diligence process. This denotes the first time since the events of September 11, 2001, that a marked increase in independent depository institution filings occurred, i.e., without the aid of government published lists. It is also worth noting that, previously, the filings were reversed in that 75 percent to 80 percent were filed based on government watch lists, while 20 percent to 25 percent were filed at the depository institutions' initiative.

The above-mentioned SARs were filed based on one or more of the following criteria, which the financial institution believed might be associated with terrorist activity:

- Even dollar deposits followed by like-amount wire transfers;
- Frequent domestic and international ATM activity;
- No known source of income;

- Use of wire transfers and the Internet to move funds to and from high risk countries and geographic locations;
- Frequent address changes;
- Occupation “student”—primarily flight schools;
- Purchases of military items or technology; and
- Media reports on suspected/arrested terrorists or groups.

Alternative Remittance Systems (ARS)

In 2003, FinCEN completed an analysis of a sampling of SARs referencing ARS or ARS-like operations. Four predominant themes identified from those SARs are:

- Unlicensed and/or unregistered money transmitters;
- Hawala or other types of ARS;
- Black Market Peso Exchange (BMPE); and,
- Evasion of the International Emergency Economic Powers Act (IEEPA).

Illegal Money Transmitter Businesses

Forty-five SARs (or 56.3 percent) filed regarding unregistered and/or unlicensed money transmitter businesses identified a variety of techniques commonly used by ARS operators to facilitate the transfer of funds on behalf of their customers. Many unlicensed/unregistered money transmitters were identified by the filing institution as ARS because of the mechanisms used to conduct transactions that ultimately ended up going through a depository institution account, such as aggregation of monetary instruments or cash from multiple sources. Most ARS operations are considered Money Services Businesses (MSBs) by virtue of the funds/value transfer services they provide to their customers. The type of account activity exhibited by such entities also provides significant insight into the identification of illegal and informal MSBs that may be providing ARS services. The SARs analyzed for this study provided a number of such indicators:

- Account activity inconsistent with the type of account held by a customer and/or volume of activity anticipated by the filing institution (according to the expected levels conveyed to the institution by the account holder);
- Account holder occupation inconsistent with the type and volume of financial activity affecting an account; e.g. unemployed, housewife, etc.;
- Large volume deposits of cash, checks, and other types of monetary instruments immediately followed by wire transactions abroad; sometimes, multiple wire transfers sent from unregistered and/or unlicensed MSBs to benefit a single beneficiary located in a foreign country;
- Structured cash transactions through the use of multiple transactions at multiple branches of the financial institution where the account is maintained;
- Account holders using their personal accounts to act as possible agents of wire remitter businesses;
- Personal accounts used as “layering” points involving wire transfers sent into those accounts from unregistered and/or unlicensed MSBs and then transferred abroad;

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- Cash intensive businesses (for example, restaurants) providing transfer services to groups of people by accepting cash to facilitate payments to customers' family members residing in a foreign country;
- Businesses conducting structured cash deposits and drawing checks from their account to purchase bulk phone cards and/or stored value cards for possible resale;
- Similarly, a subject engaged in the suspected operation of an unlicensed MSB conducting numerous outgoing wire transmissions out of his personal account, in addition to drawing checks from his account to pay for phone cards;
- Use of possible shell companies and multiple accounts to facilitate the structuring of cash, deposit of money orders, and the negotiation of third party checks, followed by wire transfers from the accounts to high risk countries;
- Deposits of cash into accounts and subsequent outgoing overseas wire transfers by unregistered and/or unlicensed MSBs conducted on behalf of expatriate workers wishing to send money back home to their families; an account is typically maintained to service customers in one state or locale, while the actual account holder (or an agent) conducts the remittance transactions from another state. In one reported instance, foreign cruise line employees transferred cash to an unlicensed MSB via an intermediary who carried the cash from the ship and deposited it into the unlicensed MSB account at a nearby bank branch on shore. The account holder was actually located several states away and transferred the funds to an associate in a foreign country for further dispersal to relatives of the cruise line employees, also residing in the foreign country.

Securities & Futures Industries SARs (SAR-SFs): The First Quarter

Brokers or dealers in securities, one segment of the securities and futures industries, were required to report suspicious financial activity beginning in January 2003. By mid-March, a total of 119 entities had filed 555 SAR-SFs. Statistical analysis of the SAR-SF data revealed several interesting trends and patterns.

Violations Types

The table below provides a breakdown of all the types of reported violations on FinCEN Form 101 submitted by the 119 entities. Note: The totals will exceed the number of SAR-SFs filed (555), because SAR-SFs can specify more than one type of suspicious activity per form.

Table 2: Breakdown of All the Types of Reported Violations on FinCEN Form 101

Types Of Suspicious Activity Reported	SAR SFs	Percentage of Total SAR SFs Reviewed
Bribery/Gratuity	4	0.7
Check Fraud	112	20.2
Computer Intrusion	3	0.5
Credit/Debit Card Fraud	32	5.8
Embezzlement/Theft	74	13.3
Forgery	15	2.7
Identity Theft	86	15.5
Insider Trading	7	1.3
Mail Fraud	4	0.7
Market Manipulation	1	0.2
Money Laundering/Structuring	154	27.7
Prearranged or Other Non-Competitive Trading	2	0.4
Securities Fraud	10	1.8
Significant Wire or Other Transactions without Economic Purpose	56	10.1
Suspicious Documents or ID Presented	22	4.0
Terrorist Financing	2	0.4
Wash or Other Fictitious Trading	1	0.2
Wire Fraud	23	4.1
Other	157	28.3
None	8	1.4

Violation Amounts

Reported amounts in the 555 SAR-SFs submitted by broker-dealers ranged up to \$5 billion. Twelve reported amounts of at least \$100 million, including five filed in New York, three in San Francisco, three in Iowa, and one in Miami. Approximately 40 percent of the SAR-SFs reported amounts between \$10,000 and \$99,999.

Types of Instruments

Many types of financial instruments were involved in the suspicious activity reported on the SAR-SFs. The following table provides a breakdown of the instrument types. Note: The totals will exceed the number of SAR-SFs filed (555), because SAR-SFs can specify more than one type of financial instrument.

Table 3: Types of Financial Instruments

Types Of Financial Instruments Reported	SAR-SFs	Percentage of Total SAR-SFs Reviewed
Cash or Equivalent	276	49.7
Other	101	18.2
Money Market Mutual Fund	45	8.1
Stocks	37	6.7
None	35	6.3
Mutual Fund	33	5.9
Bonds/Notes	25	4.5
Other Non-Securities	13	2.3
Other Securities	6	1.1
Commercial Paper	1	0.2
Warrants	1	0.2
Foreign Currencies	1	0.2

Eighty included an additional instrument description. Of these, the most frequently mentioned were business or personal checks (39); wire transfers (12); counterfeit or stolen checks (9); cashier's or official checks (6); life insurance policies (6); brokerage accounts (5); and debit cards (5). One SAR specified "precious metals" under commodity type.

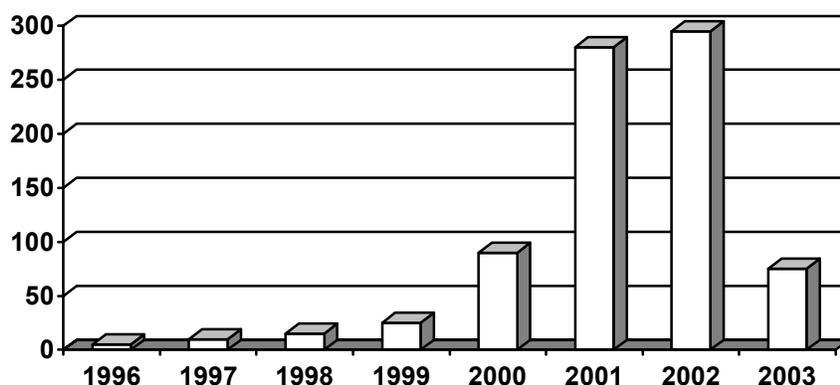
Online and/or Internet Banking

Recently, FinCEN conducted a study of SARs related to Internet and/or online banking. These SARs often used the terms, "online" and "Internet" interchangeably. For example, a bank may state that a customer conducted transactions via Internet banking, rather than specifying that the customer transacted through the bank's online facilities.

A search of the Suspicious Activity Reports Query System resulted in 776 "hits." The research was conducted for the period April 1, 1996 through April 18, 2003. As evidenced from the chart below, the volume of SAR filings that discuss online or Internet banking increased considerably. One reason for the increase may be the June 2000 addition of "Computer Intrusion" as a specific violation type on the depository institution SAR Form.

Chart 2: SARs “Hits”

April 1, 1996 thru April 18, 2003



Statistical Overview

A total of 291 separate financial institutions, including six foreign banks licensed to conduct business in the United States, filed 776 SARs between April 1996 and April 2003. The SARs were filed in 47 states, the District of Columbia and Puerto Rico. The five states with the most filings were: California (145 or 18.7 percent), Texas (80 or 10.3 percent), New York (55 or 7.1 percent), Florida (52 or 6.7 percent), and Ohio (30 or 3.9 percent). Those five states filed 362 or 46.6 percent of the SARs in this study.

The 776 SARs identified 983 violations. The most frequently cited violations were:

- Other—198 SARs or 20.1 percent;
- Check Fraud—190 SARs or 19.3 percent;
- Computer Intrusion—160 SARs or 16.3 percent;
- BSA/Structuring/Money Laundering—145 SARs or 14.8 percent;
- Counterfeit Check—78 SARs or 7.9 percent.

Violation amounts ranged up to \$82.3 million. Twenty-two SARs exceeded \$1 million.

One hundred twenty two separate bank branches in 31 states filed 126 SARs as a result of information received from their Internet Service Providers (ISPs). One bank headquartered on the West Coast filed 68 percent of the 100 BSA/Structuring/Money Laundering SARs. Almost all of those SARs reported structuring of cash deposits and withdrawals. The remaining 32 percent of the BSA/Structuring/Money Laundering SARs also reported primarily structured cash deposits. Frequent, sometimes more than one a day, cash deposits were made to an account followed by online transfers from the receiving account to another account (i.e., moving funds electronically from a checking account to a money market account or from a savings account to a business account). One SAR revealed cash deposits, followed by preauthorized online withdrawals by an international money transmitter.

SARs Filed by or About Internet Banks

Four Internet banks filed 17 SARs. At first glance, this may seem like a relatively small number of banks as well as SARs filed. However, only approximately 40 Internet banks operate in the United

States, as opposed to 20,000+ brick-and-mortar banks and credit unions currently conducting business across the country. Financial institutions across the United States detected that many transactions were conducted through Internet banks. Sixty-eight SARs mentioned this type of activity.

The common types of violations reported in SARs referencing Internet banks were:

- Check Fraud;
- Counterfeit Check;
- BSA/Structuring/Money Laundering;
- Identity Theft;
- Credit Card Fraud;
- Other: Unauthorized ACH Debits;
- Check Kiting.

Internet Gambling

The number of Internet gambling sites has increased substantially in recent years. In addition to on-line, casino-style gambling, there are numerous sport books taking bets on sporting events. Most of these websites are physically located in offshore jurisdiction. These operations accept bets and wagers from persons in the United States in violation of United States law, including 18 U.S.C. Section 1084, 1952, and 1955. For example, the majority shareholders of Gold Medal Sports Book, which was located in Curacao, N.V., pled guilty in federal court in Wisconsin to violating Section 1084 for accepting sports wagers from customers in the United States over the telephone lines and over the Internet. The company pled guilty to violations of the Racketeer Influenced and Corrupt Organizations (RICO) Act. In another example, the United States Attorney's Office in St. Louis reached a civil settlement agreement with a company called PayPal to settle allegations that PayPal aided in illegal offshore and on-line gambling activities. PayPal agreed to pay \$10 million to the government to settle this claim.

In March 1999, a federal grand jury in Manhattan charged Jay Cohen with conspiracy to violate the Wire Wager Act, 18 U.S.C. Section 1084(a), and seven substantive counts of violating, and aiding and abetting violations of that Act, in connection with Cohen's operation of World Sports Exchange ("WSE"), a book making organization that Cohen owned and ran over the Internet from Antigua. The Wire Wager Act makes it unlawful to use a wire communication facility to transmit in interstate and foreign commerce to "bets or wagers" on sporting events, "information assisting in the placement" of any such bets or wagers, or a communication "which entitles the recipient to receive money or credit as a result of bets or wagers." Cohen was charged with violating all three clauses of Section 1084(a). After a two-week trial in February 2000, the jury convicted Cohen on all charges. In August 2000, Cohen was sentenced to 21 months' imprisonment. Cohen's conviction was affirmed and in June 2003, the United States Supreme Court refused Cohen's petition for review. In October 2002, Cohen began serving his sentence.

In January 2000, the U.S. Attorney's Office for the Eastern District of Missouri successfully prosecuted an offshore sports book operation based in Curacao, which took bets from U.S. citizens in violation of the Wire Wager Act. The individual defendants were charged with tax crimes as well as money laundering, and the Paradise Casino was charged with money laundering. This prosecution led to the forfeiture of millions of dollars of property derived from the proceeds of Wire Wages Act violations and resulted in Paradise Casino agreeing to pay over \$11,000,000 in back excise taxes,

interest and penalties based on violations of the Internal Revenue Code for failure to pay excise taxes on the gambling activity.

While many companies operate their games in an apparently fraud-free fashion, the potential for gaming fraud is greater via the Internet than in the physical realm. This is because start-up costs are relatively low and software is readily available. Similar to scam telemarketing operations, on-line gambling establishments appear and disappear with regularity, collecting from losers and not paying winners, and with little fear of being apprehended and prosecuted.

Internet gamblers operating offshore may be allowed to operate legally by the offshore jurisdiction in which they are physically located, but if they operate in whole or in part, virtually or physically in the United States, they are subject to prosecution under the Wire Wager Act if they take bets, transmit or receive betting information or transmit funds in support of unlawful activity, in accord with the Wire Transfer Act itself. While these Internet gambling operations may or may not be perpetrating a fraud on their customers, they could still be subject to prosecution under U.S. law for, among other things, violations of the Wire Wager Act, transmitting funds in violation of 18 U.S.C. 1960 or failing to pay excise taxes in violation of the Internal Revenue Service.

In addition to providing a venue for fraud and other elements of organized crime, Internet gaming offers considerable potential for money laundering. In the United States, land-based casinos are required to file suspicious activity reports and currency transaction reports with the Treasury Department's Financial Crimes Enforcement Network (FinCEN) and all financial institutions, which now by definition specifically include casinos, are required to adopt money laundering compliance programs.

While land-based casinos are known to be used in the placement stage of money laundering, in which currency is introduced into the financial system, Internet gambling is particularly well-suited for the laying and integration stages of money laundering, in which launderers attempt to disguise the nature or ownership of the proceeds by concealing or blending transactions within the mass of apparently legitimate transactions. Due in large measure to the volume and speed of transactions, as well as the virtual anonymity offered by the Internet, offshore gambling websites are an area of considerable money laundering concern. The Internet gambling operations are, in essence, the functional equivalent of wholly unregulated offshore banks with the bettor accounts serving as bank accounts for account holders who are, in the virtual world, virtually anonymous. For these reasons, Internet gambling operations are vulnerable to be used, not only for money laundering, but also for criminal activities ranging from terrorist financing to tax evasion.

The FATF's Report on Money Laundering Typologies 2000-2001 set forth scenarios involving money laundering in conjunction with Internet gambling. In a report published in February 2001, FATF noted that, "Internet gambling might be an ideal web-based 'service' to serve as a cover for a money laundering scheme through the net. There is evidence in some FATF jurisdictions that criminals are using the Internet gambling industry to commit crime and to launder the proceeds of crime." In June 2003, the Financial Action Task Force on Money Laundering (FATF), the leading multilateral international anti-money laundering organization, recognized the ever-increasing problem that Internet gambling represented and revised its forty anti-money laundering recommendations to include, among other things, recommendations affecting casinos and specifically including Internet casinos.

Trade-Based Money Laundering

Criminal individuals and organizations have long misused international trade mechanisms to avoid taxes, tariffs, and customs duties. As both the formal international financial system and money service businesses become increasingly regulated, scrutinized, and transparent, criminal money launderers and terrorist financiers are increasingly likely to use fraudulent trade-based practices in international

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commerce to launder, earn, move, and integrate funds and assets. U.S. Customs officials define trade-based money laundering as the use of trade to legitimize, conceal, transfer, and convert large quantities of illicit cash into less conspicuous assets or commodities. In turn, the tangible assets or value are transferred worldwide without being subject to financial transparency laws and regulations.

Trade-based value transfer schemes use commerce in both licit and illicit goods to transfer value. Invoice fraud involving a shipment of trade goods from country A to country B provides a simple and effective way to launder the proceeds of criminal activity. For example, over-invoicing a shipment of goods gives criminal organizations a paper rationale to send payment abroad and/or to launder money. Thus, if a container of electronics is worth \$50,000, but is over-invoiced for \$100,000, the subsequent payment of \$100,000 will cover both the legitimate cost of the merchandise (\$50,000) and allow an extra \$50,000 to be remitted or laundered abroad. The business transaction and documentation disguises the illicit transfer of \$50,000, and washes the money clean.

There are a multitude of other types of invoice fraud and trade manipulation; for example, false invoicing, double invoicing, and drawback and carousel fraud. Drawback is the refund of customs duties, taxes or fees on goods destined for favored uses. Carousel fraud is the import, re-export, or diversion of goods that fraudulently obtain drawback, export subsidies and/or value added tax. For instance, export incentives often encourage and disguise fraud. In this scheme, a government pays cash incentives to a company to export products, and the company uses the same export to launder money. In some countries, traders report to exchange control authorities that imports cost more, or exports less, than the actual cost. The excess foreign exchange generated can be used to purchase additional foreign trade items. In some areas of the world, trade goods are simply bartered for other commodities of value. In regions of Pakistan and Afghanistan, illegal drugs are commonly thought of as a commodity or trade good. Law enforcement authorities have reported, for example, that the price for a kilogram of heroin in this region of the world is a color television set. There are other barter networks where narcotics in Pakistan and Afghanistan are exchanged for foodstuffs such as vegetable oils.

These simple schemes become more complex when the misuse of trade also involves traditional and entrenched ethnic-based trading networks, indigenous business practices, smuggling, corruption, narcotics trafficking, the need for foreign exchange, capital flight, terrorist financing and tax avoidance. Frequently, many of these illegal techniques are commingled and intertwined, making it extremely difficult for investigators to follow the trail and conduct effective law enforcement investigations.

There is a wide range of estimates on the total annual flow of transactions through informal banking systems. The United Nations estimates \$200 billion, the World Bank and International Monetary Fund estimate tens of billions of dollars, and a FinCEN report noted that quantifying the amount with certainty is virtually impossible. If tax and duty evasion is included, the amount of money laundered worldwide through these trade-based systems is undoubtedly staggering. U.S. officials estimate that the United States government alone loses tens of billions of tax revenue every year due to artificial overpricing and under pricing of products entering and leaving the country. Because it allows them to shift profits abroad, criminal individuals, corporations and other enterprises engage in abnormal international trade pricing that transfers value and/or reduces U.S. tax liability. Recent examples of abnormally priced transactions include cotton dishtowels imported from Pakistan into the U.S. for the absurdly high price of \$153.72 each, briefs and panties imported from Hungary for \$739.25 a dozen, metal tweezers imported from Japan at \$4,896 a unit, toilet bowls exported to Hong Kong for the ridiculously low price of \$1.75 each, and missile and rocket launchers exported to Israel for a mere \$52.03 each. Although transactions such as these can result in substantial loss of revenue for the

governments involved, criminals also know that moving and laundering money by these very simple techniques are virtually undetectable in the conduct of international trade.¹

Trade and Terrorist Financing

Trade-based value transfer is prevalent in many parts of the world that are vulnerable to terrorist financing. At present, it is impossible for law enforcement and customs to interdict all suspect transactions in this underworld of trade. At times, however, trade-based systems intersect with banks and other traditional financial institutions, which allow terrorist financiers or money launderers to obtain currency needed to purchase goods for further fund transfer. Financial institutions can also serve terrorist financiers as links in a clearing process that involves wire transfers. Where trade-based money laundering/terrorist financing intersects with financial institutions, law enforcement must develop techniques to identify the brokers or their representatives. Moreover, at that point, financial institutions may then be able to review the trade-related financial transactions for indications of unusual activity, which may be reported to authorities in suspicious activity reports. The financial community, law enforcement, and customs officials must seek a more aggressive role in recognizing how trade can be used in money laundering and in the financing of terrorism so as to conduct effective law enforcement investigations.

In one example of how alert customs scrutiny stopped suspect trade goods with ties to terrorism, a European customs service intercepted a shipment of transshipped toiletries and cosmetics that originated in Dubai. Customs examination of the manifest suggested that the goods were counterfeit and they were grossly undervalued. The goods were ultimately consigned to a third country. The resultant investigation revealed that the original exporter of the goods was a member of al-Qaida.

Law enforcement sources reveal that al-Qaida, as well as its ally in Southwest Asia, Jemaah Islamiya, are also involved in international drug trafficking to help them buy arms and finance operations. When illegal drugs are used in barter transactions for goods or services, they serve as an underground currency for terrorism.

Alternative remittance systems, sometimes also known as informal value transfer systems (IVTS), parallel banking, or underground banking, move money or transfer value without necessarily using the regulated financial industry. Trade-based money laundering can also be viewed as a component of other types of alternative remittance systems, such as hawala, the Black Market Peso Exchange, and the misuse of precious metals and gems.² Informal banking systems such as hawala are a very efficient and very effective method of moving money or transferring value. Generally, the transfer of funds between sender and receiver must be settled. This can be done via a variety of methods such as the physical movement of money, wire transfer or check, payment for goods to be traded, invoice manipulation, and the trade in precious metals and gems. Historically and culturally, in all of these alternative systems, trade is the method of choice to provide “countervaluation” or a method of “balancing the books.”

The September 11, 2001 terrorism attacks prompted U.S. law enforcement authorities to focus greater attention on the possibility that terrorist financing takes place through informal banking systems such as hawala. Yet according to the FBI, some of the September 11 hijackers allegedly used hawala to transfer thousands of dollars in and out of the United States prior to their attacks. In addition, Somalis working in the United States used the Al Barakaat informal banking network to send money to their families in Somalia. Al Barakaat was founded with significant investment from Usama bin Laden. Al

¹ November 2002 press release by Florida International University finance professor John Zdanowicz PHD and Penn State University finance professor Simon Pak, Ph.D.

² All of these systems have been reported upon in depth in previous editions of the *International Narcotics Control Strategy Report*.

Barakaat's worldwide network was reportedly also channeling several million dollars a year to and from al-Qaida.

It is readily apparent that criminal organizations the world over use value transfer and asset concealment systems that are culturally indigenous and avoid government scrutiny. Recent reports indicate that terrorist organizations increasingly use cash or have shifted resources into assets such as gold and diamonds and other untraceable commodities to avoid financial institutions' transparency networks. According to a September 2002 United Nations Security Council letter, al-Qaida was believed to have converted some of its assets into gold and diamonds. According to Global Witness, a nongovernmental organization, British forces in Afghanistan found an al-Qaida training manual that describes techniques for the smuggling of gold. Press reporting has detailed the use of gold, diamonds, tanzanite and other precious commodities by terrorist groups¹.

Black Market Peso Exchange—Trade and the Underground Economy

One of the most prevalent methods of laundering money through trade in the Western Hemisphere is via the Colombian Black Market Peso Exchange or BMPE. This money laundering technique is used by Colombian drug trafficking organizations to convert U.S. drug dollars in the U.S. to Colombian pesos in Colombia without the inherent risk of smuggling the bulk currency across international borders. The placement stage of this money laundering technique frequently involves the evasion of U.S. Bank Secrecy Act reporting requirements.

In simple terms, Colombian cartels sell drug-related, U.S. dollars to black market peso exchangers in Colombia. Once this currency exchange has occurred, the trafficking organization has effectively laundered its money and is out of the BMPE process. The peso broker, on the other hand, must then launder the accumulated U.S. dollars in the United States. The peso broker uses a variety of methods to place the U.S. narcotics proceeds into financial institutions. (For U.S. law enforcement, the "placement" stage in money laundering represents the best opportunity to identify and interdict money laundering.) The peso broker, operating in Colombia, thus has a pool of narcotics-derived funds in the United States to "sell" or "exchange" to legitimate Colombian importers. The funds are used to purchase trade goods such as cigarettes, electronics, and gold.

The U.S. Department of Treasury's Internal Revenue Service Criminal Investigation Division (CID) has an Illegal Source Financial Crimes Program that recognizes that money gained through illegal sources is part of the untaxed underground economy. The underground economy is a threat to the U.S. voluntary tax compliance system and undermines the overall public confidence in the tax system. The Internal Revenue Code generally states that all income is taxable, from whatever source it is derived. The IRS Narcotics Related Financial Crimes Program seeks to reduce the profits and financial gains of narcotics trafficking and money laundering organizations that comprise a significant portion of the untaxed underground economy. In the case of BMPE investigations, the IRS and other law enforcement agencies, such as the Immigration and Customs Enforcement Agency and the Drug Enforcement Administration, seek to disrupt a trade-based money laundering methodology that aims to legitimize the proceeds of narcotics trafficking by exchanging funds for trade items often found in the untaxed underground economy. U.S. and Colombian law enforcement and regulatory officials are continuing to cooperatively seek system-wide solutions to this problem that would break the importers' reliance on drug dollars to pay their international debts.

¹ The reference above to al-Qaida and to the UN letter are noted in the GAO Report to Congress on "Terrorist Financing—U.S. Agencies Should Systematically Assess Terrorists' Use of Alternative Financing Mechanisms," November, 2003.

Law Enforcement Cases

Bulk Cash Smuggling: Seizure of \$1,103,125 Hidden in Porsche

In August 2002, the Mississippi Highway Patrol stopped a 2002 Porsche Boxster, with temporary Mexican registration, near Jackson, Mississippi. During questioning, occupants of the Porsche said that they crossed into the United States in the Porsche from Mexico several days before and were now on their way back to Mexico. The Highway Patrol requested and received permission from the driver to search the vehicle and discovered a compartment in the storage area located under the hood of the car containing stacks of U. S. currency wrapped in plastic and marked on the outside with a dollar amount. The Highway Patrol contacted the U. S. Customs Blue Lightning Operations Center in Gulfport, Mississippi, to request assistance with the follow on investigation.

A review of records through the Bureau of Immigration and Customs Enforcement (ICE) reveal that the Porsche under investigation had entered the United States at the Paso del Norte Bridge, El Paso, Texas, on August 11, 2002. Authorities found over \$1.1 million cash in the car when it was searched.

The driver, identified as Jorge Javier Magallanes-Villarreal, stated in an interview with ICE agents that he had turned the Porsche over to an individual in Mexico who kept the vehicle overnight. Magallanes-Villarreal told agents that he was aware that when he got the Porsche back from this individual, a hidden compartment had been installed and that it was loaded with some type of a controlled substance, although Magallanes-Villarreal stated that he did not know the nature of the substance. Magallanes-Villarreal reported that he then traveled to Burlington, North Carolina, and turned the Porsche over to two unknown Hispanic males who kept it for approximately three hours before returning it. Magallanes-Villarreal alleged to agents that he was aware that the vehicle contained currency when he got it back, however he said did not know the amount. Magallanes-Villarreal said that upon returning to Chihuahua, Mexico, he had been told to contact the person that loaded the controlled substance into the Porsche and make arrangements for the currency to be removed.

Magallanes-Villarreal was arrested by the Mississippi Highway Patrol for Conspiracy to Distribute a Controlled Substance. The Porsche and currency were placed into forfeiture proceedings under Mississippi state law. Following the prescribed notification period under state seizure law, both the vehicle and currency were forfeited. During this period, no claims were made against the property.

One day after the seizure in Mississippi, the El Paso County, Texas, Sheriff's Department stopped another 2002 black Porsche Boxster, with Mexican temporary registration. A search of the vehicle resulted in the seizure of 55.6 kilograms of cocaine. The driver of this vehicle told agents that another Porsche loaded with currency was due at any time to pass through El Paso and back into Mexico.

In October 2002, Magallanes-Villarreal was indicted in the Southern District of Mississippi on one count of money laundering and another count on the bulk cash smuggling provision of the USA PATRIOT Act. In November 2002, Magallanes-Villarreal pleaded guilty to bulk cash smuggling into or out of the United States and was later sentenced to a term of 42 months in Federal prison.

Attorney Receiving Drug Proceeds Through Trust Bank Accounts

Bureau of Immigration and Customs Enforcement (ICE) agents in New York questioned a Colombian national who was observed making suspicious cash deposits from a large handbag into numerous bank accounts. During the interview, the suspect told agents that the cash he had deposited was drug proceeds. Agents subsequently seized \$16,000. Money laundering records/bank deposit receipts reflected the movement of \$1.8 million by the suspect. Agents arrested the Colombian for violations of U.S. laws against money laundering. The investigation determined the suspect had deposited funds

into numerous accounts including an attorney trust fund. The owner of the trust fund account was later identified as a prominent drug trafficking attorney. Agents subsequently seized several bank accounts associated with the money from the trust fund account.

BMPE: Life Insurance, Undercover Operation and International Cooperation

Operation Capstone exposed a sophisticated criminal scheme that targeted life insurance companies in the United States, the Isle of Man, and other locations where some \$80 million worth of Colombian drug proceeds have been laundered over the past few years. This two-year multinational investigation, involving the Bureau of Immigration and Customs Enforcement (ICE), the Isle of Man Customs and Excise Service, and Colombia's Departamento Administrativo de Seguridad (DAS), revealed that Colombian drug trafficking organizations, through a small number of insurance brokers, were purchasing investment-grade life insurance policies in the United States, the Isle of Man, and other locations, with cartel associates as the beneficiaries. These policies were funded with tens of millions of dollars worth of drug proceeds sent (in the form of checks and wire transfers) to insurance companies by third parties around the globe. When a company receives payments for its products or services in the form of wire transfers, checks, or cash from random third parties who have no connection to the transaction, it is a clear signal that money is being laundered by drug traffickers via the insidious Black Market Peso Exchange (BMPE).

Once an investment-grade life insurance policy is created, customers can over-fund the policy beyond its face value and make early withdrawals, an effective money laundering technique. Operation Capstone revealed that cartels were routinely liquidating their drug-financed life insurance policies after relatively short periods of time. Despite paying stiff financial penalties for early liquidation, the cartel beneficiaries would receive a check or wire transfer from the insurance company that, on its surface, appeared to be legitimate insurance investment proceeds. The cartels could then use these "clean" funds virtually unquestioned.

As of December 2003, Operation Capstone has resulted in numerous enforcement actions around the globe. ICE agents in Miami have seized approximately \$9.5 million, while a grand jury has indicted five Colombian nationals for laundering approximately \$2 million worth of drug proceeds through insurance companies. The Colombian DAS has seized roughly \$20 million worth of insurance policies, bonds, and cash, and arrested nine individuals. Panamanian authorities have frozen \$1.3 million in local accounts based on evidence uncovered in Colombia. The investigation is ongoing and authorities have identified more than 250 insurance policies that have been linked to drug proceeds.

Operation Capstone marks the first time that massive drug money laundering through the life insurance industry has been exposed, and demonstrates that insurance companies, like other financial institutions, are susceptible to abuse by criminal organizations. The investigation revealed that independent insurance sales brokers, operating internationally, had little or no training in anti-money laundering issues and were easily manipulated to place funds into nonbank financial institutions. "Know your customer" and "know your broker" regimes were not enforced. Insurance companies provided limited oversight over their many brokers and sub-brokers, and failed to recognize potential indicators of money laundering. The U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN) has issued proposed rules that, for the first time, would require life insurers and annuity firms to establish anti-money laundering programs and to file suspicious activity reports to the U.S. government, reporting suspected instances of money laundering.

Political Corruption—Asset Identification, Seizure and Forfeiture

In May of 2002, the Bureau of Immigration and Customs Enforcement (ICE) in Miami initiated an investigation, based upon information obtained by the ICE Attaché Panama, to assist the Nicaraguan

Government in identifying assets in the United States belonging to Byron Jerez Solis, former head of the Nicaraguan Direccion General de Ingresos (equivalent of the U.S. Internal Revenue Service). It was believed that more than \$100,000,000 was embezzled from the Nicaraguan government by Solis and others acting on orders of former Nicaraguan President Arnoldo Aleman.

Investigation showed the funds were wired to Panamanian banks from Nicaragua then wired to United States banks from Panama. Once in the United States, the money was used to purchase certificates of deposit, a three million dollar condominium, a three hundred thousand dollar beach house in Florida and a helicopter in Texas.

At the time of the request from the Nicaraguan government for assistance, Aleman was a member of the Nicaraguan Parliament and therefore was granted immunity from any criminal charges. In December of 2002, Aleman was stripped of his immunity and was indicted for money laundering, fraud, embezzlement, misappropriation of public funds and electoral violations. In December 2003, Arnoldo Aleman was convicted and sentenced to 20 years incarceration for the crimes on which he was charged. In addition, he was fined \$17,000,000, and according to the money laundering law that he was convicted under, he is required to pay twice the amount that he was found to have laundered.

As a result of this investigation, ICE in Miami seized and recovered \$5.6 million in assets in the United States on behalf of the Nicaragua Government.

Commodity Based Money Laundering Case—Operation Meltdown

In January 1999, Customs New York El Dorado Task Force (EDTF) received information that gold suppliers in the New York area were assisting drug traffickers in the laundering of drug money. According to the information, gold, disguised as various objects, would be purchased with drug proceeds and smuggled to Colombia. Once in Colombia the gold would be resold for cash, thus completing the laundering cycle. Follow up investigation revealed that numerous seizures of gold, in the form of tools, pellets, trailer hitches, auto parts, and other items being transported from the United States to Colombia by airline passengers were linked to narcotics proceeds. As a result of these findings, EDTF initiated Operation Meltdown, an undercover investigation targeting gold suppliers in the New York area.

During the course of the investigation, confidential sources of information and undercover agents delivered more than one million dollars in cash, purported to be narcotics proceeds, to several jewelry stores. In return for the cash, the undercover agents received either gold shot or gold disguised as machine parts and tools, which the suspects believed would be smuggled to Colombia.

In June 2003, New York agents assigned to EDTF conducted an enforcement action that included the arrests of 11 suspects for money laundering violations and the execution of eight search warrants. Statistics as of December 2003 included: 23 arrests, six guilty pleas, and the seizure of 140 kilograms of gold (valued at \$1.4 million), approximately \$1.0 million in loose diamonds, molds that were used for the gold in the shape of cones, wrenches and screws, plus firearms and vehicles.

Narcotics Terrorism: Links to FARC

In October 2002, Bureau of Immigration and Customs Enforcement (ICE) agents arrested a Colombian national when he attempted to transport \$186,000 into the United States. The investigation revealed that he was an active money launderer affiliated with the Colombian Fuerzas Armadas Revolucionarias de Colombia (FARC) drug-terrorist group. Agents suspect he laundered in excess of \$100,000,000 for the FARC (designated by the United States as a foreign terrorist organization) in the United States. He was charged and subsequently convicted for failure to obtain a state money-transmitting license, in violation of U.S. law, and the funds were seized.

Illegal Money Transmitter Business

In 2002, FBI Salt Lake City initiated an investigation concerning an illegal money transmitting business in Utah run by Iraqi immigrants. The basis of this investigation was a tip received by law enforcement. Based on financial evidence developed during the investigation, three simultaneous search warrants were executed on October 16, 2002, at three locations for financial records and other documentation on the money remitter businesses. In addition, approximately \$19,000 was seized from seven bank accounts controlled by the subjects.

An analysis of the bank records and seized documents showed that the suspect and his associates had wired over four million dollars to Jordan from 1997 through 2002. Other funds were sent to Syria, Iran, Saudi Arabia, Chile and the Ukraine. Further analysis of these bank accounts showed the deposit of dozens of checks and cash belonging to over 500 individuals living in the United States.

The scheme involved a conspiracy to deposit money from expatriate Iraqis living in the United States, into the subjects' accounts, and then wire the money to Jordan. The funds were then primarily smuggled into Iraq, in violation of the embargo order, and provided to the designated beneficiary.

The primary subject was indicted on violations of Title 18 USC Section 1960 (Illegal money Transmitting Business). He entered a guilty plea and was sentenced in March 2003 to four months incarceration and fined \$10,000 dollars.

Terrorist Financing: Counterfeit Check Smuggling and Links to Chechen Terrorists

Bureau of Immigration and Customs Enforcement (ICE) agents initiated an investigation as the result of a seizure of \$12 million in counterfeit cashier's checks by ICE agents and Customs and Border Protection Inspectors. The primary violator was a naturalized U. S. citizen who resided in the United States. This individual was described as a proponent/advocate of Islam and Jihad and was affiliated with the designated terrorist group Riyadus-Salihan Reconnaissance and Sabotage Battalion of Chechen Martyrs. The investigation resulted in the execution of one Federal search warrant, two indictments and subsequent convictions for conspiracy to distribute and/or manufacture counterfeit securities, bank fraud and smuggling of merchandise into the United States. The investigation revealed that in the early to mid 1990's, the primary violator was involved in the recruitment and enlistment of individuals, as terrorists, to fight against Russian forces in Chechnya. Additionally, the investigation revealed that this individual helped raise funds for the Chechen rebels. ICE corroborated this allegation with the assistance of various foreign law enforcement agencies.

Terrorist Financing: Palestinian Islamic Jihad

The FBI-Tampa office initiated a long-term investigation against Sami Al-Arian and other members of the Palestinian Islamic Jihad (PIJ). PIJ was first declared a "specially designated Terrorist Organization" by the United States in January 1995. The investigation focused on Al-Arian and his associates' financial support of the PIJ from U.S.-based fund raising events from 1988 through 2002. In addition, the investigation sought to establish their culpability for the over 100 murders (including two U.S. citizens) conducted by this terrorist organization through violent acts in the Middle East.

The FBI's financial analysis of over 90 bank accounts held by Al-Arian and associates, evidence obtained via subpoena, search warrants, intelligence techniques and through witness interviews, pinpointed the U.S.-based funding mechanisms used by the PIJ to support the organization and its terrorist activities. PIJ financed the organization by obtaining funding from state sponsors (Iran, Sudan, Syria, Libya) through Iranian Embassy channels in the Middle East, including Damascus, Syria. Couriers sent the money to the West Bank and Gaza Occupied Territories. Funds were also sent to "straw" accounts set up in Arab Bank branches in West Bank and Gaza Occupied Territories.

In addition, money was raised in the U.S. through mosques and “front” companies controlled by PIJ operatives including suspicious charities. The collected funds were then sent to the Middle East through “straw” accounts and moneychangers. The funds were wire transferred from the PIJ leadership in Lebanon to operatives in the West Bank and Gaza Occupied Territories. The investigation also revealed that money was sent from U.S.-based PIJ members to the accounts of the PIJ family members of PIJ affiliated suicide bombers in the Middle East.

In February 2003, a Federal Grand Jury in the Middle District of Florida indicted Sami Al-Arian and seven co-defendants for alleged violations of the Racketeer Influenced and Corrupt Organizations Act (RICO) and for providing material support to a terrorist organization, among other violations.

In February 2003, the FBI in Tampa, Florida, and Chicago, Illinois, arrested Sami Al-Arian, Hatem Fariz, Sameeh Hammoudeh and Ghassan Ballout. In addition to the arrests, the FBI executed seven search warrants on the residences and businesses of Al-Arian and his associates. The remaining four defendants are currently fugitives in Syria, Lebanon, Gaza Strip and the United Kingdom.

A trial date of January 2005 was set for this case in Tampa, Florida. Al-Arian and Hammond were being detained pending trial, while Farris and Ballot were released after posting bonds.

Drugs, Money, and Terrorist Ties

Bureau of Immigration and Customs Enforcement (ICE) agents in New York initiated an investigation of a company suspected to be involved in the smuggling and distribution of pseudoephedrine. Additional information indicated that employees at the business were sending a large number of negotiable checks to Sanaa, Yemen. During the investigation, ICE agents conducted several wire intercepts on the targets’ telephone lines, cellular telephones and fax machine. In December 2002, ICE agents, in coordination with other Federal, state and local officers, executed three federal search warrants in the New York area. Agents also arrested and indicted three suspects for violation of U.S. laws associated with failure to register as a money service business, and seized approximately \$60,000 in cash and checks, numerous documents, and a handgun. Additionally, agents seized a bank account containing approximately \$130,000, which was used to facilitate illegal wire transfers outside the United States. Analysis of the documents seized as a result of the search warrants and bank records revealed that the suspects had transferred money via wire to an individual with suspected ties to the al-Qaida terrorist group.

Illegal Wire Remitter: Violation of Iraq Sanctions Regulations

Bureau of Immigration and Customs Enforcement (ICE) agents initiated an investigation of a Seattle-based money remitting company with approximately 30 remitting agents throughout the United States. The investigation revealed that remitting agents collected money and subsequently sent the funds to Iraq through Jordan and various other Middle Eastern countries. Some funds were used to purchase goods that were subsequently shipped to Iraq. Agents identified \$28 million, which was wired through numerous bank accounts. Agents identified approximately \$12 million that was illegally transferred to Iraq in violation of the U.S. International Emergency Economic Powers Act (IEEPA) regulations relating to Iraq sanctions. During the investigation, ICE agents conducted three wire intercepts, executed 36 search warrants, arrested six individuals, indicted 16 individuals and indicted three bank accounts.

Terrorist Financing: Mohammed Ali Hassan Al-Moayad

In December 2003, an influential Imam and political leader from Yemen, Mohammed Ali Hassan Al-Moayad, was indicted in the Eastern District of New York for providing, and conspiracy to provide, material support and resources to al-Qaida and Hamas, in violation of 18 U.S.C. 2339B. Al-Moayad’s

assistant, Mohammed Mohsen Yahya Zayed, was also indicted on the conspiracy charges. The defendants were extradited from Germany in November 2003, after a sting operation where they sought from a confidential informant a \$2 million donation to fund violent jihad. To establish his bona fides and to entice this donation, Al-Moayad explained to the donor that he (al Moayad) has strong connections to al-Qaida and Hamas, via a financing network that reaches into Brooklyn, and that prior to September 11, 2001, he (al Moayad) provided recruits and more than \$20 million to Usama bin Laden. A trial date for al Moayad and Zayed had not been set by the end of 2003.

Terrorist Financing: Virginia Charities

For more than two years, Federal law enforcement agents have been jointly investigating a group of individuals living in Northern Virginia, who operate over 100 different for-profit companies and ostensibly charitable organizations. The majority of these organizations, which appear to be educational and charitable organizations, are actually “paper” organizations that are registered at common addresses, but have no apparent physical presence. The individuals under investigation have moved or authorized the movement of millions of dollars in funds through a series of transactions that involve both the charities and the for-profit corporations they control.

The financial transactions include: contributions to the charities from the for-profit corporations, loans to for-profit corporations, contributions, loans and grants between charities, and the movement of funds from the charities into offshore trusts and other foreign entities. For example, of the \$54 million in grants and allocations reported between 1996 and 2000, almost half was transferred to entities in the Isle of Man, while \$20 million remained within accounts that belong to the charities. Almost \$8 million went to unidentified recipients. By exercising common control, those controlling the charities leverage the tax benefits of the movement of funds among tax-exempt and for-profit entities, without ever surrendering control of the funds. Although substantial funds are moved among various entities, the individuals under investigation maintain control over the funds, even as the group transfers those funds among entities with interlocking directorates, common officers, common physical locales, and centralized control. The government maintains that absent any plausible legal explanation for these convoluted transactions, the transactions have been designed to prevent the United States from tracking the funds, in violation of the charter of the charitable organizations and the laws relating to charities and their tax exempt status.

Financial records obtained with legal process and judicially authorized searches of the premises of many of these organizations, leads the government to believe that these individuals are laundering money by transmitting funds internationally to promote violent crimes against foreign nations, in violation of 18 U.S.C. 1956, providing material support or resources to a foreign terrorist organization, in violation of 18 U.S.C. 2339B, and other crimes.

Other ongoing Federal investigations into the fundraising activities of the Palestinian Islamic Jihad and Hamas reveal that front organizations associated with these groups received funding from the Virginia charities. Investigators believe that the individuals in Virginia who are under investigation are conspiring to do the following: abuse the tax code’s charitable exemption provisions; use their web of interlocking corporate entities to move funds so as to conceal the true nature, source, disposition and taxability of those funds; and misrepresent the nature of the relationships among the charities and the for-profit companies to avoid scrutiny of their financial transactions.

Soliman Biheiri, who ran an investment firm handling investments for one of the purported charities, was charged with unlawful procurement of citizenship, making false statements and immigration related fraud, in violation of 18 U.S.C. 1425(a), 1001, and 1015(a), on August 7, 2003. He was convicted in October 2003 and was scheduled to be sentenced in January 2004.

Terrorist Financing: Abdurahman Alamoudi

Abdurahman Alamoudi, a naturalized U.S. citizen and president of the American Muslim Council, was arrested in September 2003 upon his arrival in the United States from London. In August 2003 he was stopped in England with \$340,000 in U.S. currency in his suitcase on his way to Syria. At the time, Alamoudi claimed that the funds were payment to him by the Libyan government for his help in lifting U.S. sanctions and that he planned to deposit the money in a Saudi Arabian bank and bring it back to the U.S. in smaller increments so as to avoid detection by U.S. law enforcement.

In October 2003, Alamoudi was indicted for making false statements in violation of 18 U.S.C. 1001, conducting illegal transactions with the Libyan government in violation of 18 U.S.C. 2332d, violating the IEEPA in violation of 50 U.S.C. 1701, money laundering in violation of 18 U.S.C. 1956, structuring coin and currency transactions in violation of 31 U.S.C. 5324, passport misuse in violation of 18 U.S.C. 1544, U.S. naturalization fraud in violation of 18 U.S.C. 1425 and failure to report control over foreign bank accounts in violation of 31 U.S.C. 5322.

Terrorist Financing: Fundraiser Convicted

Enaam M. Arnaout, the director of Benevolence International Foundation, an Islamic charity in suburban Chicago, was charged with funneling money to a terror network and other violent groups in late 2002. The indictment described a multi-national criminal enterprise that over many years fraudulently used charitable contributions from Americans—Muslim, non-Muslim and corporations—to support al-Qaida, the Chechen mujahedin, and armed violence in Bosnia. Arnaout pleaded guilty in February 2003 to operating a charity as a Racketeer Influenced Corrupt Organization (RICO) enterprise and failing to tell donors that their money was being used to support violent actions. In August 2003, the defendant was sentenced to more than 11 years imprisonment and to pay restitution to the United Nations High Commission on Refugees in the amount of \$315,000.

Terrorist Financing: Ties with Internet Service Provider

In August 2003, Mousa Abu Marzook, his wife Nadia Marzook, and Bayan, Basman, Ghassan, Hazim and Ihsan Elashi (the Elashi brothers) and the INFOCOM Corporation were indicted in the Northern District of Texas. The Elashi brothers owned and operated INFOCOM, an Internet service provider and computer exporter, which shipped computers and computer components to Libya and Syria—countries designated as state sponsors of terrorism. Exports to those countries are strictly controlled. The defendants filed false Shipper's Export Declaration forms with the U.S. Department of Commerce, on which they either falsely identified the final destination or stated that no license was required for the shipments. In addition, the defendants filed false Shipper's Export Declaration forms for other shipments on which they undervalued the shipment to assist their customers in evading the duties imposed by the customers' country. The Elashi brothers have been charged with violations of the following: IEEPA, money laundering, and multiple counts of making false statements on Shipper's Export Declaration forms.

In the early 1990's INFOCOM received a significant investment from Mousa Abu Marzook, a leader of the political section of HAMAS and a relative of the Elashi brothers. In 1993, Marzook, and Bayan, Ghassan, and Basman Elashi attempted to conceal Marzook's involvement with INFOCOM by creating an agreement stating that his investment belonged to Nadia Marzook, his wife and a cousin of the Elashi brothers. The agreement called for periodic payments to Nadia as a return on the investment. In 1995 the United States designated Mousa Abu Marzook as a Specially Designated Terrorist, which precludes others from having financial dealings with Marzook. Nevertheless, the Elashi brothers continued to make periodic payments to Mousa Abu Marzook by disguising them as

payments to Nadia. The resulting charges are for money laundering and violations of IEEPA. The trial is scheduled for May 2004.

Terrorist Financing: Kidnapping

On February 13, 1997, employees of Overnight Solutions were preparing a Venezuelan fishing camp for guests when seven hooded and armed suspects entered the camp and took control. One camp employee was forced to divulge details about the guests' planned arrival and the location of weapons. The following day, a plane carrying a U.S. citizen was allowed to land and was then taken by the defendants and was held hostage and flown from the site. During his nine months in captivity, he was controlled by armed men wearing *Fuerzas Armadas Revolucionarias de Colombia* (FARC) uniforms. FARC is a designated foreign terrorist organization. The hostage witnessed his captors murder two men who had provided assistance to the group. Subsequent negotiations with one of the defendants resulted in the payment of a \$1 million ransom on November 23, 1997, whereupon the American hostage was released.

On October 29, 2002, the defendants Jorge Briceno Suarez, Tomas Molina Caracas and a defendant whose alias was "El Loco" were indicted for: (1) conspiracy to commit hostage taking resulting in death (18 U.S.C. 1203(a)); (2) hostage taking resulting in death (18 U.S.C. 1203 (a)); (3) hostage taking (18 U.S.C. 1203); and (4) using a firearm during a crime of violence (18 U.S.C. 924(c)).

Terrorist Financing: Drugs for Weapons

In December 2002, four persons were indicted in the Southern District of Texas for a \$25 million drugs-for-weapons plot involving the United Self Defense Forces of Colombia (AUC). The defendants were charged with conspiring to provide material support or resources to the foreign terrorist organization (FTO), in violation of 18 U.S.C. sec. 2339B, and a drug conspiracy, in violation of 21 U.S.C. secs. 841(a)(1), (b)(1)(A), and 846. Defendants Elkin Alberto Arroyave Ruiz (a.k.a. Commandante Napo) and Edgar Fernando Blanco Puerta (a.k.a. Commandante Emilio), both high-ranking members of the AUC, were arrested in a sting operation in Costa Rica. After being extradited to the United States, Arroyave Ruiz pled guilty to the material support conspiracy. In exchange, the drug charges against him were dropped. Blanco Puerta remained in Costa Rica, challenging extradition. Also indicted in December 2002, were two brokers in the United States, Carlos Ali Romero Varela and Uwe Jensen. They pled guilty to all charges in April 2003, and June 24, 2003, respectively. In addition, Adriana Gladys Mora was indicted on September 3, 2003, on material support and drug charges. She conspired to help arrange a related drug buy in the United States, to establish for the AUC the bona fides of defendant Varela.

Terrorist Financing: Cash and Material

In August 2002, Earnest James Ujaama was charged with providing material support to the Taliban in violation of 18 U.S.C. 2339 (A) and (B) but pled to conspiring with others to provide support, including money, computer software, technology and services to the Taliban and to persons in the territory of Afghanistan controlled by the Taliban. Following a plea agreement, Ujaama pled guilty to one count of conspiracy to violate the IEEPA and was sentenced in April 2003 to 24 months in prison.

Bilateral Activities

During 2003, a number of U.S. law enforcement and regulatory agencies provided training and technical assistance on money laundering countermeasures and financial investigations to their law enforcement, financial regulatory, and prosecutorial counterparts around the globe. These courses have

been designed to give financial investigators, bank regulators, and prosecutors the necessary tools to recognize, investigate, and prosecute money laundering, financial crimes, and related criminal activity. Courses have been provided in the United States as well as in the jurisdictions where the programs are targeted.

Department of State

The Department of State's Bureau for International Narcotics and Law Enforcement Affairs (INL) and the Department's Office of the Coordinator for Counter-Terrorism (SCT) are together implementing a multi-million dollar training and technical assistance program to provide law enforcement, prosecutorial and Central Bank training to countries around the globe. A prime focus of the training program was a multi-agency approach to develop or enhance financial crime and anti-money laundering regimes capable of combating not only money laundering activities but also terrorist financing in selected jurisdictions. Supported by and in coordination with the State Department, the Department of Justice, Treasury Department component agencies, the Board of Governors of the Federal Reserve, the Federal Deposit Insurance Corporation, and various nongovernment organizations offered law enforcement, regulatory and criminal justice programs worldwide.

During 2003, INL/SCT-funded programs were delivered in 49 countries to combat international financial crimes, money laundering and terrorist financing. Nearly every federal law enforcement agency assisted in this effort by providing basic and advanced training courses in all aspects of financial criminal activity. In addition, INL made funds available for intermittent posting of financial advisors at selected overseas locations. These advisors work directly with host governments to assist in the creation, implementation, and enforcement of anti-money laundering and financial crime legislation. INL also provided several federal agencies funding to conduct multi-agency financial crime training assessments and develop specialized training in specific jurisdictions worldwide to combat money laundering.

INL, along with the European Union and the Government of the United Kingdom, continues to fund the Caribbean Anti-Money Laundering Programme (CALP). INL contributed \$600,000 to the CALP in 2003. The objectives of CALP are to reduce the laundering of the proceeds of all serious crime by facilitating the prevention, investigation, and prosecution of money laundering. CALP also seeks to develop a sustainable institutional capacity in the Caribbean region to address the issues related to anti-money laundering efforts at a local, regional and international level.

In 2003, INL reserved \$1 million for the United Nations Global Programme against Money Laundering (GPML). In addition to sponsoring money laundering conferences and providing short-term training courses, the GPML instituted a unique longer-term technical assistance initiative through its mentoring program. The mentoring program provides advisors on a yearlong basis to specific countries or regions. A GPML mentor provided assistance to the Secretariat of the East and South Africa Anti-Money Laundering Group (ESAAMLG). INL continues to provide significant financial support for many of the anti-money laundering bodies around the globe. During 2003, INL support was furnished to the Financial Action Task Force on Money Laundering (FATF), the international standard setting organization, and to FATF-styled regional bodies (FSRBs) including the Asia/Pacific Group on Money Laundering (APG), the Council of Europe's MONEYVAL, and the Caribbean Financial Action Task Force (CFATF). INL also provided financial support to the ESAAMLG and the South American Financial Action Task Force, Grupo de Accion Financiera de Sudamerica Contra el Lavado de Activos (GAFISUD), the FATF-styled regional body in South America. INL also financially supported the Pacific Island Forum and the Organization of American States (OAS) Inter-American Drug Abuse Control Commission (CICAD) Office of Money Laundering and the OAS Counter-Terrorism Committee.

As in previous years, INL training programs continue to focus on an interagency approach and on bringing together, where possible, foreign law enforcement, judicial and Central Bank authorities in assessments and training programs. This allows for an extensive dialogue and exchange of information. This approach has been used successfully in Asia, Central and South America, Russia, the New Independent States (NIS) of the former Soviet Union, and Central Europe. INL also provides funding for many of the regional training and technical assistance programs offered by the various law enforcement agencies, including assistance to the International Law Enforcement Academies (ILEAs).

International Law Enforcement Academies (ILEAs)

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

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

The ILEAs are a progressive concept in the area of international assistance programs. The regional ILEAs offer three different types of programs: the Core course, specialized training courses and regional seminars tailored to region-specific needs and emerging global threats. The Core program typically includes 50 participants, normally from three or more countries. The Specialized courses, comprised of about 30 participants, are normally one or two weeks long and often run simultaneously with the Core course. Topics of the Regional Seminars include transnational crimes, counterterrorism and financial crimes.

The United States has amended the money laundering portion of the Core course presented at each ILEA to address terrorist financing, significantly increasing the number of instruction hours dedicated to this critical topic. The ILEA program partner agencies (see below) are working on finalizing a new Specialized course that would focus specifically and in detail on terrorist financing, to be offered at all the ILEAs.

The ILEAs help develop an extensive network of alumni that exchange information with their U.S. counterparts and assist in transnational investigations. These graduates are also expected to become the leaders and decision-makers in their respective societies. The Department of State works with the Departments of Justice, Homeland Security and Treasury, and with foreign governments to implement the ILEA programs. To date, the combined ILEAs have trained over 12,000 officials from 50 countries in Africa, Asia, Europe and Latin America. The annual ILEA budget averages approximately \$18-19 million.

Africa. ILEA Gaborone (Botswana) opened in 2001. The main feature of the ILEA is a six-week intensive personal and professional development program, called the Law Enforcement Executive Development Program (LEEDP), for law enforcement mid-level managers. The LEEDP brings together approximately 45 participants from several nations for training on topics such as combating transnational criminal activity, supporting democracy by stressing the rule of law in international and domestic police operations, and by raising the professionalism of officers involved in the fight against crime. ILEA Gaborone also offers specialized courses for police and other criminal justice officials to enhance their capacity to work with U.S. and regional officials to combat international criminal

activities. These courses concentrate on specific methods and techniques on a variety of subjects, such as counterterrorism, anti-corruption, financial crimes, border security, drug enforcement, firearms and many others.

Instruction is provided to participants from Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania and Zambia. This area of focus was recently expanded to include key countries (Djibouti, Ethiopia, Kenya, Uganda) in East Africa and Nigeria in West Africa. Eventually this gradual expansion will reach other sub-Saharan African countries. United States and Botswana trainers provide instruction. ILEA Gaborone has offered specialized courses on money laundering/terrorist financing related topics such as Criminal Investigation (presented by FBI) and International Banking & Money Laundering Program (presented by DHS/FLETC). ILEA Gaborone trains approximately 450 students annually.

Asia. ILEA Bangkok (Thailand) opened in March 1999. The ILEA focuses on enhancing the effectiveness of regional cooperation against the principal transnational crime threats in Southeast Asia—illicit drug trafficking, financial crimes, and alien smuggling. The ILEA provides a Core course (the Supervisory Criminal Investigator Course or SCIC) of management and technical instruction for supervisory criminal investigators and other criminal justice managers. In addition, this ILEA presents two Senior Executive programs and eight to ten specialized courses—lasting one to two weeks—in a variety of criminal justice topics. The principal objectives of the ILEA were the development of effective law enforcement cooperation within the member countries of the Association of Southeast Asian Nations (ASEAN) plus China and the strengthening of each country's criminal justice institutions to increase their abilities to cooperate in the suppression of transnational crime.

Instruction is provided to participants from Brunei, Cambodia, China, Hong Kong, Indonesia, Laos, Macau, Malaysia, Philippines, Singapore, Thailand and Vietnam. Subject matter experts from the United States, Thailand, Japan, Netherlands, Australia, Philippines and Hong Kong provide instruction. ILEA Bangkok has offered specialized courses on money laundering/terrorist financing related topics such as Computer Crime Investigations (presented by FBI and DHS/BCBP) and Complex Financial Investigations (presented by IRS, DHS/BCBP, FBI and DEA). Total annual student participation is 550.

Europe. ILEA Budapest (Hungary) opened in 1995. Its mission has been to support the region's emerging democracies by combating an increase in criminal activity that emerged against the backdrop of economic and political restructuring following the collapse of the Soviet Union and its former satellite regimes. ILEA Budapest offers three different types of programs: an eight-week Core course, Regional Seminars and Specialized courses in a variety of criminal justice topics. Instruction is provided to participants from Albania, Armenia, Azerbaijan, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

Trainers from 17 federal agencies and local jurisdictions from the United States and also from Hungary, Canada, Germany, Great Britain, Holland, Ireland, Italy, Russia, Interpol and the Council of Europe provide instruction. ILEA Budapest has offered specialized courses on money laundering/terrorist financing related topics such as Investigating/Prosecuting Organized Crime and Transnational Money Laundering (both presented by DOJ/OPDAT). ILEA Budapest trains approximately 950 students annually.

Global. ILEA Roswell (New Mexico) opened in September 2001. This ILEA offers a curriculum comprised of courses similar to those provided at a typical Criminal Justice university/college. These four-week courses have been designed and are taught by academicians for foreign law enforcement officials. This Academy is unique in its format and composition with a strictly academic focus and a worldwide student body. The participants are mid-to-senior level law enforcement and criminal justice

officials from Eastern Europe, Russia, the Newly Independent States (NIS), Association of Southeast Asian Nations (ASEAN) member countries and the People's Republic of China (including the Special Autonomous Regions of Hong Kong and Macau); and member countries of the Southern African Development Community (SADC) plus other East and West African countries. The students are drawn from pools of ILEA graduates from the Academies in Bangkok, Budapest and Gaborone and other selected participants mainly from Latin American and the Caribbean. ILEA Roswell trains approximately 450 students annually.

Board of Governors of the Federal Reserve System (FRB)

The FRB participates in the effort to deter money laundering primarily through ensuring compliance with the Bank Secrecy Act and the USA PATRIOT Act by the domestic and foreign banking organizations that it supervises.

In another initiative to combat money laundering, FRB staff conducted training in anti-money laundering tactics and provided technical assistance to banking supervisors and law enforcement officials throughout the world. Programs for Mexico, as well as courses designed for students from Eastern and Southern African countries, were provided in 2003. In addition, the FRB collaborated with the U.S. State Department as well as other bank regulatory agencies in presenting counterterrorist financing regulatory training to numerous South East Asian, Central American, and South American countries.

In addition to its international training programs, the FRB presented training courses to U.S. law enforcement agencies at the Federal Law Enforcement Training Center to the Internal Revenue Service, the Federal Bureau of Investigation, the U.S. Postal Inspection Service, Department of Homeland Security's Bureau for Immigration and Customs Enforcement, and the Drug Enforcement Administration.

Drug Enforcement Administration (DEA)

The International Training Section of the Drug Enforcement Administration (DEA) conducts its International Asset Forfeiture and Money Laundering courses in concert with the Department of Justice (DOJ). In 2003, a total of 168 participants from Brazil, Malaysia, Costa Rica, France and Greece received this training. A wide range of DEA international courses contain training elements relating to countering money laundering and other financial crimes. DEA training division also provides training International Law Enforcement Academy (ILEAs) Hungary; Thailand and Botswana.

The basic course curriculum includes instruction addressing money laundering and its relation to Central Bank operations, asset identification, seizure and forfeiture techniques, financial investigations, document exploitation, and international banking. Overviews of U.S. asset forfeiture law, country forfeiture and customs law, and prosecutorial perspectives are also included.

Federal Bureau of Investigation (FBI)

In 2003, training specialists with the Federal Bureau of Investigation (FBI) through its Terrorist Finance Operations Section (TFOS) continued extensive training in various regions of the world covering basic and more advanced courses in terrorism financing and money laundering, financial fraud and the underpinning of terrorism, racketeering, enterprise investigations, complex financial crimes and countering international money laundering.

In concert with other U.S. and international trainers, the FBI conducted aspects of the full range of its training for a variety of countries on a regional basis through the International Law Enforcement

Academies (ILEAs) in Bangkok, Thailand, and Budapest, Hungary. In other programs, FBI training reached numerous officials representing various levels of the judiciary and law enforcement as well as private sector banking and financial officials. Students participating in FBI training around the world—in several instances in concert with the U.S. Internal Revenue Service (IRS)—represented Bahrain, Oman, Qatar, Saudi Arabia, UAE, Turkey, Pakistan, India, Cambodia, China, Fiji, Indonesia, Japan, Kiribati, Korea, Laos, Malaysia, Philippines, Taiwan, Thailand, Brazil, Colombia, Paraguay and Kenya. Some 40 officials representing 17 Latin American countries traveled to the FBI Academy in Quantico, Virginia, to participate in the Latin-American Law enforcement Executive Development Seminar, which includes coursework in money laundering and other financial crimes.

Federal Deposit Insurance Corporation (FDIC)

The FDIC is working in partnership with several agencies to combat money laundering and the global flow of terrorist funds. Additionally, the agency participates in the planning and conduct of missions to assess vulnerabilities to terrorist financing activity worldwide, and to develop and implement plans to assist foreign governments in their efforts in this regard. To better achieve this end, the FDIC has 22 individuals available to participate in foreign missions.

A training session was held in June 2003 that provided FDIC foreign mission participants with background information on the international conventions related to money laundering and terrorist financing and other essential preparatory instruction. A multi-agency team of instructors brought varying perspectives and experience to the session.

The FDIC's Division of Supervision and Consumer Protection participated in the decision-making process of the Basel Committee in reviewing the "Know Your Customer" risk management report and evaluated the progress report on jurisdictions with cross-border banking impediments.

Periodically, FDIC staff meets with supervisory and law enforcement representatives from various countries to discuss anti-money laundering issues, including examination policies and procedures, the USA PATRIOT Act and its requirements, the FDIC's asset forfeiture programs, suspicious activity reporting requirements and interagency information sharing mechanisms. In 2003, such presentations were given to representatives from Anguilla, Antigua, Armenia, Aruba, Austria, the Bahamas, Barbados, Barbuda, Belize, British Virgin Islands, Brazil, Cayman Islands, Dominica, Estonia, Grenada, Guyana, Haiti, Italy, Jamaica, Monsterrat, Netherlands Antilles, Poland, Russian Agency for Restructuring Credit Organizations, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Taiwan, Trinidad and Tobago, and the Turks and Caicos Islands.

FDIC provided assistance in an interagency Financial Systems Assessment Team (FSAT) to Bangladesh in April 2003. The group reviewed the country's existing AML law and training efforts. Additionally, the group discussed implementation of the law and recommendations related to constraints of computer technology available in the country.

The FDIC participated in an interagency anti-money laundering evaluation of the Republic of Palau from March 6-16, 2003. The review was sponsored by the Asia/Pacific Group on Money Laundering.

FDIC also provided staff to participate in two training sessions. The first session was held in coordination with the Office of the Comptroller of the Currency in March 2003 in Washington, D.C. Twenty-five students from Bahrain, Egypt, Jordan, Pakistan, Qatar, and Saudi Arabia participated. The second training session was held July 13-19, 2003 in Panama City, Panama, with supervisors and examiners from Brazil, Argentina, Paraguay, Venezuela and Panama. The training session addressed anti-money laundering and antiterrorism financing examination procedures.

In October 2003, FDIC staff participated in an anti-money laundering and antiterrorist financing workshop in Honolulu, Hawaii, for regulators from the Philippines, Thailand, Indonesia and Malaysia.

Topics included the Bank Secrecy Act, the USA PATRIOT Act, components of anti-money laundering examination programs and procedures, and an effective bank anti-money laundering program.

Financial Crimes Enforcement Network (FinCEN)

FinCEN, the U.S. Financial Intelligence Unit (FIU), a bureau of the U.S. Department of the Treasury, coordinates and provides training and technical assistance to partner nations seeking to work against money laundering, terrorist financing, and other financial crimes. In particular, its efforts focus on the creation and improvement of the financial intelligence units (FIUs). FinCEN's international training program has two main components: (1) instruction to a broad range of government officials, financial regulators, law enforcement officers, and others, on the subject of money laundering and FinCEN's mission and operation; and (2) financial intelligence analysis training and the operational aspects of FIUs such as FinCEN.

For those FIUs that are fully functional, the goal is to help them achieve an improved level of cooperation with U.S. and other FIUs in the exchange of information and the achievement of a better understanding of money laundering phenomena. As a member of the Egmont Group of FIUs, FinCEN also works closely with other members of the Egmont Group to provide training and technical assistance to various jurisdictions in establishing and operating their own FIUs.

During 2003, FinCEN conducted training courses, both independently as well as with other agencies. In some instances, courses are developed jointly with other agencies to address specific needs of the jurisdictions. A number of these courses are provided abroad to maximize the utility to the FIU. Much of FinCEN's work also involves strengthening existing FIUs and reinforcing channels for communicating operational information in support of anti-money laundering investigations. This includes participation in personnel exchanges (from the foreign FIU to FinCEN and vice versa) and regional and operational workshops.

In an effort to reinforce the sharing of information between established FIUs, FinCEN conducted personnel exchanges with a number of Egmont Group allies, including the Baltic States (Estonia, Latvia and Lithuania), Bolivia, Turkey, South Korea, and Russia. The exchanges offer the opportunity for FIU personnel to see first-hand the working of another FIU with a view towards possible improvement in such areas as analytical tools, information flow, and information security.

For financial intelligence analysis training, a group of analysts from the country's financial intelligence unit spends up to one week at FinCEN. In some cases, FinCEN will coordinate such training in-country. This type of training provides analysts with basic skills in critical thinking, inference and analysis; data collection; report writing; research and sources of information; financial analysis (such as bank records and net worth analysis); and case presentation. Training topics such as regulatory issues, international case processing, technology infrastructure and security, terrorist financing and money laundering trends and typologies provide analysts with broader background knowledge of the money laundering realm. In addition, analysts also gain an extensive knowledge of the U.S. anti-money laundering regime by meeting with representatives from other U.S. agencies, such as the Department of Justice's Asset Forfeiture and Money Laundering section, the State Department's Bureau of International Narcotics and Law Enforcement Affairs, and the Bureau of Immigration and Customs Enforcement under the Department of Homeland Security.

In 2003, to more appropriately address the specific needs of countries, FinCEN co-hosted training workshops in Malaysia and Mauritius. In Mauritius FinCEN worked with the newly formed FIU to provide specialists to teach analytical and money laundering investigative methods to analysts from India, Mauritius, and South Africa. In Malaysia, FinCEN joined with the FIU to co-host a regional Basic Analysis and Suspicious Transaction Report training seminar. The focus was on how to collect,

analyze, and share data supplied by covered institutions, as well as on the FIU's ability to gather and disseminate information on money laundering trends and techniques to financial institutions and competent authorities. Invited participants included investigators and analysts from the newly formed and/or established FIUs in Malaysia, Thailand, Philippines, Singapore, India, Pakistan, Brunei and Indonesia. The workshop was the first training course hosted under the auspices of the Southeast Asian Centre for Counter-Terrorism in Kuala Lumpur. In Bangkok, Thailand, FinCEN provided Suspicious Transaction Report analytical training to the Anti-Money Laundering Office (AMLO). The training concentrated on suspicious transaction reporting analysis and basic investigative techniques, using AMLO's currently active data.

FinCEN partnered with other U.S. agencies such as Treasury's Office of Technical Assistance (OTA) to coordinate and fashion training to address specialized needs of FIUs during weeklong programs in Bulgaria and Hungary. Efforts were undertaken to begin to gain a better understanding of the role of international organizations in training and technical assistance programs and to coordinate FinCEN's programs and objectives with organizations such as the Organization of American States, the IMF and World Bank.

During 2003, FinCEN hosted representatives in the U.S. from over 50 countries. The visits focus on new money laundering trends and patterns, the Bank Secrecy Act, details of the USA PATRIOT Act, communications systems and databases, international case processing, and the regulatory role of FinCEN. Representatives from foreign governments and their financial and law enforcement sectors generally spend a day at FinCEN learning more about money laundering, the U.S. regulatory regime and reporting requirements, the national and international roles of a financial intelligence unit, and various other topics. During the year, this type of orientation was offered to officials from a diverse number of countries ranging from Kazakhstan to Lebanon.

In 2003, FinCEN also hosted delegations for more intensive seminars in computer software programs, data mining, and case processing. Participants came from various jurisdictions of the Caribbean, the Middle East, Africa, Southeast Asia and the Pacific, Central and South America, the Gulf States, and Europe. FinCEN's communications personnel provide FIU technical analysis and support in two primary areas: analysis and development of FIU network infrastructures and systems implementation and ongoing technical support. During the year, FinCEN also provided communications support to Albania, Argentina, Bahrain, Brazil, Egypt, Georgia, Guatemala, Indonesia, Israel, Lebanon, Macau, Marshall Islands, Mauritius, Mexico, Montenegro, Panama, Philippines, Russia, Serbia, South Africa, Turkey, United Arab Emirates, and Ukraine.

Homeland Security (DHS) Bureau of Immigration and Customs Enforcement (ICE)

During 2003, the Bureau of Immigration and Customs Enforcement (ICE), Financial Investigations Division, provided extensive money laundering, financial investigations and antiterrorist financing training to domestic and foreign law enforcement organizations, and to the regulatory, banking and trade communities. ICE money laundering and financial investigations training is based on the broad experience achieved while conducting international money laundering and traditional financial investigations techniques as part of the U.S. Customs Service (USCS) legacy. Additionally, ICE conducted antiterrorist financing training in 2003, which drew on similar expertise obtained during the USCS-led Operation Green Quest.

ICE conducted training at 56 domestic and international money laundering and financial investigations seminars which focused on the traditional patterns and trends identified on trade-based money laundering schemes, bulk-cash smuggling, Black Market Peso Exchange (BMPE) investigations, alternative money remittance systems and trafficking in humans. Under the ICE Cornerstone Program,

training was also developed and designed to provide the private sector with the necessary skills to identify and develop methodologies to detect suspect transactions indicative of money laundering and criminal activity within the financial and trade sectors. Moreover, as part of Cornerstone, ICE has appointed field and headquarters agents who are dedicated to providing training to the financial and trade communities on identifying and preventing exploitation by criminal and terrorist groups. Through its partnership with private industries, Cornerstone has enlisted their participation in aggressive joint efforts to combat financial crime and strengthen money laundering laws and regulations.

ICE provided international training, technical assistance and instruction on conducting anti-money laundering, financial crimes and terrorist finance investigations to officials from over 160 countries worldwide. The ICE Financial Investigations Division participated in international training in coordination with the Department of State Bureau of International Narcotics and Law Enforcement Affairs (INL), the Department of Justice's Prosecutorial Development and Assistance and Training Program (OPDAT), and the International Law Enforcement Academy (ILEA) programs.

Additional financial investigations training of law enforcement officers from 11 Central and South American countries was conducted by ICE in support of the Organization of American States' Inter-American Drug Abuse Control Commission (OAS/CICAD) program. Other ICE international training in conjunction with the State Department and the Department of the Treasury was provided to countries of special interest to the U.S. regarding terrorist financing on anti-money laundering/antiterrorist financing. ICE provided courses on trade-based money laundering in Kuwait and Qatar.

Internal Revenue Service (IRS)

In 2003, the IRS Criminal Investigation Division (IRS-CI) continued its commitment to international training, multi-agency training efforts and technical assistance programs to foreign law enforcement agencies. Training included financial investigative techniques, anti-money laundering/asset forfeiture, counterterrorism financing and the financial underpinnings of terrorism.

IRS-CI provides financial expertise in support of the International Law Enforcement Academies (ILEAs) in Bangkok, Thailand; Budapest, Hungary; and Gaborone, Botswana, by providing training in Financial Investigative Techniques/Anti-Money Laundering and Counter-Terrorism Financing. An IRS-CI special agent continues to serve as Deputy Director of the ILEA in Bangkok. The IRS-CI also serves as coordinator of the annual Complex Financial Investigations course, which is provided to a wide variety of foreign senior, mid-level, and first-line law enforcement supervisors, inspectors, investigators, prosecutors and customs officers.

IRS-CI delivered Anti-Money Laundering/Financial Investigative Techniques courses in Santiago, Chile, and Prague, Czech Republic. In Prague, the participants were ministerial financial investigators, supervisors and prosecutors, who are responsible for enforcing their country's money laundering laws. In Santiago, students included uniformed police, intelligence analysts, supervisors and prosecutors from the financial and organized crime unit. The overall goal of this training was to enhance anti-money laundering efforts and to foster exchange of information between these countries and the U.S. to combat global money laundering. IRS-CI presented a Financial Investigative Techniques course to participants from the Inland Revenue Board, Securities Board, Finance Ministry, Treasury and Customs in Kuala Lumpur, Malaysia. This class was also facilitated by the IRS's Tax Administration Advisory Services. In addition to teaching financial techniques for investigating tax and other financial crimes, this course helped to foster on-going exchange of information among the different government agencies represented during the three-week training session.

IRS-CI undertook several training commitments as part of the Plan Colombia initiative in the Southern Hemisphere. Anti-Money Laundering, Undercover Techniques and Financial Investigative Techniques courses were delivered to federal agents, military police and intelligence officers, tax authority officials, judges and magistrates in the Colombian cities of Bogotá, Medellín and Paipa. The thrust of the training continues to stress the compelling need for the use of these techniques to destroy the financial underpinnings of Colombia's narcotics/terrorists threat. These courses allowed participants to establish relationships designed to improve joint investigations of money laundering and terrorist finance activities. In other activity, Colombian computer forensic investigators traveled to the United States to participate in a two-week Computer Forensic Investigation Specialists course at IRS-CI's new Electronic Crimes Development Center in Springfield, Virginia. The crux of the training involved recovery of seized computer data, its presentation and identification of Internet and other electronic issues relevant to financial investigations.

IRS-CI also assisted the FBI at a Financial Underpinnings of Terrorism course in Quantico, Virginia, presented to high-level prosecutors and national police from the Republic of Turkey. The participants in the course came from Turkish anti-money laundering and antiterrorism investigation units.

IRS-CI assisted during a one-week course on Counter-Terrorism Financing/Anti-Money Laundering in Abu Dhabi and Dubai, United Arab Emirates. Participants from the UAE Public Prosecutor's office, Department of Justice, Ministries of Interior, Justice, Economy and Finance, Bahrain, along with the Police and Central Bank, completed the course. Counter-Terrorism Financing/Money Laundering courses were also conducted in Brasilia, Bogotá, and in Kuala Lumpur. All of these IRS-CI training sessions were conducted in partnership with the FBI.

As a part of a larger Department of State initiative, IRS-CI has been instrumental in assisting the Government of Trinidad and Tobago (GOTT) as part of an agreement with the IRS's Tax Administration Advisory Services project for technical assistance. IRS-CI's role was to assist with the development of a Criminal Tax Investigation Unit within the Trinidadian Bureau of Inland Revenue. The newly formed unit was created primarily to improve the level of tax compliance through the development of modern criminal tax enforcement methods, techniques and programs. IRS-CI has assisted in the analysis of the current laws and statutes over which the unit will have authority to investigate and has also recommended law changes to enhance the authority of the unit.

Office of the Comptroller of the Currency (OCC)

The Office of the Comptroller of the Currency (OCC) supported and sponsored several anti-money laundering training initiatives during 2003. These included:

- Presentation of three, five-day Anti-Money Laundering (AML) schools for foreign banking supervisors including two in Washington, D.C., and a third in Mexico sponsored by the Association of Banking Supervisors of America (ABSA). The more than 50 students participating in the schools in the United States came from Bahrain, Egypt, Jordan, Pakistan, Qatar, Saudi Arabia, Antigua and Barbuda, Anguila, Barbados, Brazil, Montserrat, Cayman Islands, Dominica, France, Japan, Haiti, Grenada, Guatemala, Korea, Netherlands, Nevis, Nigeria, St. Vincent, St. Kitts, St. Lucia, Spain, United Kingdom and Venezuela.
- Provision of a specialized instructor for two U.S. Department of State-sponsored AML Anti-Terrorist Financing schools, one for Latin American students in Panama City and a second for representatives from Asia which took place in Hawaii.
- Participated with the U.S. Department of State in two Financial Systems Assessment Teams (FSATs) in the Philippines and Kenya.

Overseas Prosecutorial Development Assistance and Training & the Asset Forfeiture and Money Laundering Section (OPDAT and AFMLS)

Training and Technical Assistance

During 2003, the Justice Department's OPDAT and AFMLS continued to provide training to foreign prosecutors, judges and law enforcement, and assistance in drafting money laundering statutes compliant with international standards.

Money Laundering/Asset Forfeiture

The seminars provided by OPDAT and AFMLS enhance the ability of participating countries to prevent, detect, investigate, and prosecute money laundering, and to make appropriate and effective use of asset forfeiture. The content of individual seminars varies depending on the specific needs of the participants, but topics addressed in 2003 included developments in money laundering legislation and investigations, complying with international standards for an anti-money laundering/terrorist financing regime, illustrations of the methods and techniques to effectively investigate and prosecute money laundering, inter-agency cooperation and communication, criminal and civil forfeiture systems, the importance of international cooperation, and the role of prosecutors. In 2003, in-depth sessions on money laundering and international asset forfeiture were presented to representatives from Thailand, South Africa, Suriname, Argentina, Dominican Republic, Canada, Netherlands, Malaysia, Costa Rica, France, Greece, Bosnia, Hungary, Uzbekistan, and Kazakhstan. An AFMLS attorney worked with the RLA in Kosovo to assist the government in drafting its first money laundering law. In 2003 the RLA worked as Chief of the Special Information and Operations Unit at DOJ/UNMIK to help implement the new law.

As part of Plan Colombia, in 2003 OPDAT continued to provide assistance to enhance the capability of Colombia's National Asset Forfeiture and Money Laundering Task Force to investigate and prosecute money laundering and other complex financial crimes, and to execute the forfeiture of profits from illegal narcotics trafficking and other crimes.

Organized Crime

During 2003, OPDAT organized a number of seminars for foreign students on transnational or organized crime, which included such topics as corruption, money laundering, implementing complex financial investigations and special investigative techniques within a task force environment, international standards, legislation, mutual legal assistance, and effective investigation techniques.

In March 2003, a "Multi-disciplinary Workshop on the Courtroom Presentation of DNA/Forensic Evidence" was held in Belize to strengthen the country's ability to combat transnational organized crime.

In addition to its Resident Legal Advisor (RLA) in South Africa, OPDAT in 2003 assigned an Intermittent Legal Advisor (ILA) to assist the South African National Director of Public Prosecutions in implementing its new organized crime statute.

In Ukraine, OPDAT's grantee, the American University Transnational Crime Study and Corruption Centers, supported indigenous research and conducted training seminars on economic crimes and organized crime.

OPDAT RLAs continue to support Bosnia's Organized Crime Anti-Human Trafficking Strike Force and Serbia and Montenegro's judges, prosecutors and police through mentoring and training programs on investigating and developing organized crime case strategies.

Fraud/Anti-Corruption

In 2003, OPDAT organized a series of six training programs on anti-corruption in Mexico City to enhance law enforcement capabilities in investigating and prosecuting public corruption. The training covered organization of an anti-corruption unit, prosecutorial strategies, the role and techniques of financial and criminal fraud investigations and rules of conduct for police.

OPDAT sent teams of attorneys to Mozambique again in 2003 to provide assistance to its Prosecution Service on the skills needed in the investigation and prosecution of corruption cases. OPDAT has two major programs in Nigeria, including one exclusively focused on supporting Nigeria's nascent anti-corruption commission.

In 2003, OPDAT's RLA in Georgia continued to work closely with the Anti-Corruption Coordinating Council to implement recommendations for improving anti-corruption efforts. The RLA who arrived in Moldova in June 2003 completed a review of Moldova's current public corruption legislation to identify needed revisions. In 2003, OPDAT, through anti-corruption workshops and seminars, provided Estonian and Hungarian prosecutors with the team-building skills necessary to more effectively combat public corruption and financial crimes.

Terrorism/Terrorist Financing

OPDAT and AFMLS have intensified their efforts since 2001 to assist countries in developing their legal infrastructure to combat terrorism and terrorist financing. OPDAT and AFMLS, with the assistance of the Counterterrorism Section and other Department of Justice (DOJ) components, play a central role in providing technical assistance to foreign counterparts both to attack the financial underpinnings of terrorism and to build legal infrastructures to combat it. In this effort OPDAT and AFMLS work as integral parts of the U.S. Interagency Working Group on Terrorist Financing, and in partnership with the Departments of State, Treasury and Commerce, and several other DOJ components.

In 2003, OPDAT assigned overseas the first of several Resident Legal Advisors supported by the Interagency Working Group on Terrorist Financing. RLAs are U.S. federal prosecutors who provide long-term technical assistance to improve the skills, efficiency and professionalism of foreign criminal justice systems. Typically, RLAs live in a country for one or two years to work with ministries of justice, prosecutors and the courts. To promote reforms in the criminal justice system, RLAs provide assistance in legislative drafting, modernizing institutional policies and practices, and training law enforcement personnel including prosecutors and judges, police and other investigative or court officials.

RLAs living in a country where terrorist cells may exist, or where terrorist activity or the financing of terrorists is suspected, focus on money laundering and financial crimes and developing antiterrorism legislation which criminalizes terrorist acts, terrorist financing, and the provision of material support to terrorist organizations. They also develop technical assistance programs for prosecutors, judges and, in collaboration with DOJ's International Criminal Investigative Training Assistance Program, police investigators to assist in the implementation of new money laundering and terrorist financing procedures.

In August 2003, OPDAT sent the first counter terrorism RLA to Paraguay to work on financial crimes and money laundering issues in the Tri-border area of Paraguay, Brazil, and Argentina. In October 2003, the RLA organized a number of conferences to finalize a draft anti-money laundering law,

which was to be presented to the Paraguayan legislature in early 2004. Also in 2003, OPDAT's RLA in Azerbaijan assisted in drafting money laundering legislation and implementing programs aimed at deterring terrorist financing. OPDAT has specific plans to place RLAs in other key countries around the world.

In March 2003, OPDAT held a money laundering seminar for prosecutors, banking officials and investigators in Qatar and in December 2003 an asset forfeiture program was conducted in Malaysia.

During the period 2002 to mid-2003, OPDAT organized eight seminars aimed at strengthening counterterrorism laws abroad. Officials from Central Asia, the Middle East, the Caucasus and Russia, Southeast Asia, South Asia, Latin America and Africa, participated in seminars focused on counterterrorism legislation. AFMLS and other U.S. agencies provided instructors for each of the courses. Country groups worked with U.S. experts during the seminar to develop action plans to strengthen their countries' counterterrorism infrastructures. Training participants came from Angola, Armenia, Azerbaijan, Bangladesh, Botswana, Chile, Cote d'Ivoire, Cyprus, Democratic Republic of the Congo, Djibouti, El Salvador, Egypt, Georgia, Guatemala, Guyana, India, Indonesia, Jordan, Kazakhstan, Kenya, Kyrgyzstan, Laos, Lesotho, Malawi, Malaysia, Maldives, Mauritius, Morocco, Mozambique, Namibia, Nepal, Pakistan, Paraguay, Peru, Philippines, Russia, Sierra Leone, South Africa, Sri Lanka, Swaziland, Tajikistan, Tanzania, Thailand, Turkey, United Arab Emirates, Uzbekistan and Zambia.

With the assistance of attorneys from AFMLS and the Counterterrorism Section, OPDAT implemented "The Financial Underpinnings of Terrorism Program," which provides intensive seminars covering all aspects of identifying and prosecuting methods of financing terrorism. An initial session for senior policy officials is followed by a longer, more hands-on session for investigators, judges and prosecutors. Officials from the Philippines and Turkey have participated in these programs.

OPDAT organized three training programs at the International Law Enforcement Academy (ILEA) in Budapest in 2003: Criminal Procedure and Trial Advocacy; Money Laundering and Terrorism Financing; and Combating Transnational Organized Crime. For each course, one of OPDAT's RLAs in the region took the organizational lead, drawing on expert faculty from the U.S., Europe and Asia.

AFMLS provides technical assistance in connection with legislative drafting on all matters involving money laundering, asset forfeiture and the financing of terrorism. During 2003, AFMLS provided such assistance to 14 countries as well as actively participating in the drafting of the UN Convention on Corruption and the terrorist financing provision of the OAS/CICAD Model Regulations. AFMLS continues to participate in the UN Working Group to draft a model non-conviction based asset forfeiture law. In 2003, AFMLS provided technical assistance to Albania, Algeria, Armenia, Pakistan, Indonesia, Philippines, Paraguay, Kosovo, Chile, Turkey, Kenya, Republic of Korea, Thailand and Argentina.

During 2003, AFMLS and OPDAT participated in four Financial Systems Assessment Teams (FSAT) led by the Department of State's Coordinator for Counterterrorism Office and the Bureau for International Narcotics and Law Enforcement Affairs. These teams traveled to three countries at to assess the capacities and skills of prosecutors and judges, and the criminal justice system in general, to effectively address terrorist financing.

Office of Technical Assistance (OTA)—United States Department of Treasury

Treasury's OTA is located within the Office of the Assistant Secretary for International Affairs. The office delivers interactive, advisor-based assistance to senior level representatives in various ministries and Central Banks in the areas of tax reform, government debt issuance and management, budget

policy and management, financial institution reform, and more recently, law enforcement reforms related to money laundering and other financial crimes.

In 1997, the Enforcement Program was added to Treasury's advisory office. It is a long-term, advisor-based program developed out of concern that financial crimes, corruption, organized criminal enterprises, and other criminal activities were undermining economic reforms promoted by the U. S. Government. The Enforcement Program focuses on the development of legal foundations, policies, and organizations in three areas: (1) money laundering, terrorist financing and other financial crimes, (2) organized crime and corruption, and (3) the reorganization of law enforcement and financial entities in developing economies to help them prevent, detect, investigate and prosecute complex international financial crime. The Enforcement Program relies on intermittent and resident advisors to deliver its technical assistance. It works with embassy staff and host country clients on long-term projects designed to promote systemic changes and new organizational structures. The program receives funding from the State Department's Bureau for International Narcotics and Law Enforcement Affairs (INL), the State Department Africa Bureau, USAID country missions and direct appropriations from the U.S. Congress.

The Enforcement Program is comprised of a group of experienced advisors with backgrounds in various areas of investigating, prosecuting or regulating financial and economic crimes, such as money laundering, terrorist financing, white-collar crime, organized crime, securities fraud, internal affairs and corruption, criminal law, and organization administration. In 2003, advisors provided assistance to the governments of Albania, Armenia, Azerbaijan, Bosnia, Bulgaria, El Salvador, Ethiopia, Georgia, Guatemala, Honduras, Hungary, Iraq, Macedonia, Moldova, Montenegro, Morocco, Paraguay, Poland, Peru, Romania, Russia, Sri Lanka, Tanzania, Thailand, Uganda, Ukraine, Serbia, Zambia and the Eastern Caribbean countries. OTA's Enforcement advisor in Iraq successfully completed examinations of all the commercial banks in the country and provided compliance guidelines for the Central Bank.

OTA conducted several assessments of anti-money laundering regimes in 2003, often working in concert with the U.S. Embassies, other U.S. Government agencies and/or international bodies. These assessments addressed legislative, regulatory, law enforcement and judicial components of the various programs. The assessments included the development of technical assistance plans to enhance a country's efforts to fight money laundering and terrorist financing. In 2003, such assessments were carried out in Argentina, Chile, Ecuador, Ethiopia, Sri Lanka, Zambia and Morocco.

The OTA Enforcement program has the ability to draw expertise from the other four "teams" in OTA. In Afghanistan, a Budget team advisor is resident with the Ministry of Finance to insure that a transparent budget is maintained for the donor funds flowing into the Afghanistan reconstruction. Financial Institution team advisors have been utilized in the Dominican Republic to assist in the bank resolution of a major bank, insolvent because of massive insider fraud. Tax advisors are employed in the creation of criminal investigation units within tax services in Croatia, and Government Debt advisors are used to design compliant stock exchanges and government securities in Uganda. This synergy within OTA's five teams allows for a macroeconomic approach to financial crimes enforcement.

Training

In 2003 a variety of training was the primary focus of OTA efforts in a number of countries around the world. In Africa, OTA specialists tailored a special course for Ethiopia bank examiners, conducted two training sessions in Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) for Moroccan government, banking and private sector officials, and trained over 300 Ugandans in eight different seminars relating to financial crimes and corruption investigation techniques. In Europe, OTA taught basic principals of financial investigation techniques to specialized Bosnian police; in Bulgaria, the relevant task force learned fundamentals of investigating and prosecuting financial

crimes, and in Armenia, OTA conducted a “train-the-trainer” program on auditing techniques for concerned officials. Elsewhere in Europe, working with FinCEN, OTA conducted a weeklong course in financial and business records analysis for analysts from the Hungarian Financial Intelligence Unit (FIU). In Poland, FIU employees and partner ministry officials received four AML/CFT courses, the new financial police unit in Macedonia was instructed in the basics of anti-money laundering techniques, and Romanian prosecutors, judges and bank examiners were trained in combating money laundering and bank fraud. Structured OTA training in South America included a “train-the-trainer” module for Honduran bank officials and special investigative techniques for Honduran police.

Support for Financial Intelligence Units (FIUs)

OTA continued its range of training and technical support for the refinement and establishment of Financial Intelligence Units (FIUs) in various regions of the world. In 2003, the primary focus was on Georgia, Bulgaria, Hungary, Montenegro, Russia, Serbia, Thailand, Guatemala, Honduras and Ukraine. In Serbia, for example, OTA experts undertook a variety of initiatives, including training for relevant public and private entities, to help the country establish an FIU and get it operational prior to its eventual application for membership to the Egmont Group. Similar assistance was provided to the Russian FIU. In Ukraine, OTA continued efforts to help streamline the national FIU to include relevant improvements in its operation to help Ukraine reach its goal of removal from the FATF list of noncooperative countries. In Central America, additional training and technical assistance was provided to FIUs in Guatemala and Honduras, and a resident advisor was placed with the FIU’s in Peru and Paraguay.

Resident Advisor Program

OTA advisors continued international support in the areas of money laundering and terrorist financing. The resident advisors in Bulgaria and Serbia continued efforts to streamline and enhance host governments’ FIUs. Supporting national efforts against financial crimes was the focus of the OTA resident advisors in Paraguay, Albania, and Romania, while the resident advisor in Thailand was tasked with advising the Department of Special Investigation of the Royal Thai Police and the Royal Thai Customs Service.

Treaties and Agreements

Mutual Legal Assistance Treaties (MLATs) allow generally for the exchange of evidence and information in criminal and ancillary matters. In money laundering cases, they can be extremely useful as a means of obtaining banking and other financial records from our treaty partners. MLATs, which are negotiated by the Department of State in cooperation with the Department of Justice to facilitate cooperation in criminal matters, including money laundering and asset forfeiture, are in force with the following countries: Antigua and Barbuda, Argentina, Australia, Austria, the Bahamas, Barbados, Belgium, Belize, Brazil, Canada, Cyprus, Czech Republic, Dominica, Egypt, Estonia, France, Grenada, Greece, Hong Kong (SAR), Hungary, Israel, Italy, Jamaica, Latvia, Liechtenstein, Lithuania, Luxembourg, Mexico, Morocco, the Netherlands, the Netherlands with respect to its Caribbean overseas territories (Aruba and the Netherlands Antilles), Nigeria, Panama, the Philippines, Poland, Romania, Russia, South Africa, South Korea, Spain, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Switzerland, Thailand, Trinidad and Tobago, Turkey, Ukraine, the United Kingdom, the United Kingdom with respect to its Caribbean overseas territories (Anguilla, the British Virgin Islands, the Cayman Islands, Montserrat, and the Turks and Caicos Islands) and Uruguay. MLATs have been ratified by the United States but not yet brought into force with the European Union and the following countries: Colombia, India, Ireland, Japan, Sweden and Venezuela. The United States has

also signed and ratified the Inter-American Convention on Mutual Legal Assistance of the Organization of American States. The United States is actively engaged in negotiating additional MLATS with countries around the world. The United States has also signed executive agreements for cooperation in criminal matters with the Peoples Republic of China (PRC) and Nigeria.

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

Financial Information Exchange Agreements (FIEAs) facilitate the exchange of currency transaction information between the U.S. Treasury Department and other finance ministries. The U.S. has FIEAs with Colombia, Ecuador, Mexico, Panama, Paraguay, Peru, and Venezuela. Treasury's Financial Crimes Enforcement Network (FinCEN) has a Memorandum of Understanding (MOU) or an exchange of letters in place with other financial intelligence units (FIUs) to facilitate the exchange of information between FinCEN and the country's financial intelligence unit. FinCEN has an MOU or an exchange of letters with the FIUs in Argentina, Australia, Belgium, France, Netherlands, Slovenia, Spain, and the United Kingdom.

Asset Sharing

Pursuant to the provisions of U.S. law, including 18 U.S.C. § 981(i), 21 U.S.C. § 881(e)(1)(E), and 31 U.S.C. § 9703(h)(2), the Departments of Justice, State and Treasury have aggressively sought to encourage foreign governments to cooperate in joint investigations of narcotics trafficking and money laundering, offering the possibility of sharing in forfeited assets. A parallel goal has been to encourage spending of these assets to improve narcotics-related law enforcement. The long-term goal has been to encourage governments to improve asset forfeiture laws and procedures so they will be able to conduct investigations and prosecutions of narcotics trafficking and money laundering which include asset forfeiture. The United States and its partners in the G-8 are currently pursuing a program to strengthen asset forfeiture and sharing regimes. To date, Canada, Cayman Islands, Hong Kong, Jersey, Liechtenstein, Switzerland, and the United Kingdom have shared forfeited assets with the United States.

From 1989 through December 2003, the international asset sharing program, administered by the Department of Justice, resulted in the net forfeiture in the United States of \$433,273,582.25 of which \$181,727,532.85 was shared with foreign governments which cooperated and assisted in the investigations. In 2003, the Department of Justice transferred forfeited proceeds to: Dominican Republic (\$10,000); Hong Kong (SAR) (\$2,898,755.42); and the United Kingdom (\$29,761.72). Prior recipients of shared assets (1989-2002) include: Anguilla, Argentina, the Bahamas, Barbados, British Virgin Islands, Canada, Cayman Islands, Colombia, Costa Rica, Dominican Republic, Ecuador, Egypt, Greece, Guatemala, Guernsey, Hong Kong (SAR), Hungary, Isle of Man, Israel, Liechtenstein, Luxembourg, Netherlands Antilles, Paraguay, Romania, South Africa, Switzerland, Turkey, the United Kingdom and Venezuela.

From FY 1994 through FY 2003, the international asset sharing program administered by the Department of Treasury shared \$24,097,083.00 with foreign governments which cooperated and assisted in investigations. In FY 2003, the Department of Treasury transferred forfeited proceeds to: Australia (\$44,958.00) and Canada (\$722,477.00). Prior recipients of shared assets (1995-1999) include: Aruba, the Bahamas, Cayman Islands, PRC, Dominican Republic, Egypt, Guernsey,

Honduras, Isle of Man, Jersey, Mexico, Netherlands, Nicaragua, Panama, Portugal, Qatar, Switzerland, and the United Kingdom.

Multilateral Activities

United Nations

United Nations Security Council Resolutions

UN Security Council Resolutions (UNSCR) 1267, 1390 and 1455 obligate UN Member States to impose certain measures—namely, asset freezes, travel restrictions and an arms embargo—against individuals and entities associated with Usama Bin Ladin, or members of al-Qaida or the Taliban that are included on the consolidated list maintained and regularly updated by the UN 1267 Sanctions Committee. UNSCR 1452 allows for limited exceptions to the asset freeze provisions under certain circumstances. A Monitoring Group reports to the UN 1267 Sanctions Committee on the implementation of the resolutions.

United Nations Security Council Resolution 1373

On September 28, 2001 the United Nations Security Council adopted Resolution 1373 (UNSCR 1373) concerning terrorism. UNSCR 1373 requires States to take certain specified measures to combat terrorism. Among other things, it requires States to do the following: to freeze without delay funds, financial assets or other economic resources of persons who commit, attempt to commit, facilitate or participate in the commission of terrorist acts; to prohibit their nationals or any persons and entities within their territories from making any funds, financial assets or economic resources or other related services available—directly or indirectly—for the benefit of persons who commit, attempt to commit, facilitate or participate in the commission of terrorist acts; to ensure that terrorist acts are established as serious criminal offenses in domestic laws and regulations and that punishment duly reflects the seriousness of such terrorist acts; to deny safe haven to those who finance, plan, support or commit terrorist acts; and, to ensure that any person who participates in the financing, planning, preparation or perpetration of terrorist acts is brought to justice. UNSCR 1373 calls upon States to exchange information and cooperate to prevent the commission of terrorist acts.

UNSCR 1373 establishes a committee, the UN Counter-Terrorism Committee (CTC), to monitor implementation of the resolution and to receive reports from States on steps they have taken to implement the resolution. By the end of 2003, all 191 UN Member States had submitted reports to the CTC on their counterterrorism capabilities and steps they had taken to implement UNSCR 1373. In addition, 158 Member States had submitted follow-up second reports and 99 Member States had submitted third reports.

UN International Convention for the Suppression of the Financing of Terrorism

On December 9, 1999, the United Nations General Assembly adopted the International Convention for the Suppression of the Financing of Terrorism. It was opened for signature from January 10, 2000 to December 31, 2001. This Convention requires parties to criminalize the provision or collection of funds with the intent that they be used, or in the knowledge that they are to be used, to conduct certain terrorist activity. Article 18 of the Convention requires states parties to cooperate in the prevention of terrorist financing by adapting their domestic legislation, if necessary, to prevent and counter preparations in their respective territories for the commission of offenses specified in Article 2. To that

end, Article 18 encourages implementation of numerous measures consistent with the FATF Forty Recommendations on Money Laundering. These measures, which states parties implement at their discretion, include the following: prohibiting accounts held by or benefiting people unidentified or unidentifiable; verifying the identity of the real parties to transactions; and, requiring financial institutions to verify the existence and the structure of the customer by obtaining proof of incorporation.

The Convention also encourages states parties to obligate financial institutions to report complex or large transactions and unusual patterns of transactions that have no apparent economic or lawful purpose, without incurring criminal or civil liability for good faith reporting; to require financial institutions to maintain records for five years; to supervise (for example, through licensing) money-transmission agencies; and to monitor the physical cross-border transportation of cash and bearer-negotiable instruments. Finally, the Convention addresses information exchange, including through the International Criminal Police Organization (Interpol). As of December 31, 2003, 107 states had become parties to the Convention; 25 other states had signed, but not ratified, the Convention. It entered into force internationally on April 9, 2002. The United States became a party to the Convention on June 26, 2002.

UN Convention against Transnational Organized Crime

The UN Convention against Transnational Organized Crime (Convention) was signed by 125 countries, including the United States, at a high-level signing conference December 12-14, 2000 in Palermo, Italy. It is the first legally binding multilateral treaty specifically targeting transnational organized crime. Two supplemental Protocols addressing trafficking in persons and migrant smuggling were also signed by many countries in Palermo. Each instrument enters into force on the ninetieth day after the 40th state deposits an instrument of ratification, acceptance, approval or accession. The Convention entered into force September 29, 2003, and the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children entered into force December 25, 2003. However, at the end of 2003, the Protocol against the Smuggling of Migrants by Land, Sea and Air had not yet entered into force. As of the end of 2003, 147 countries had signed the Convention and 59 countries had deposited instruments of ratification.

The Convention takes aim at preventing and combating transnational organized crime through a common toolkit of criminal law techniques and international cooperation. It requires states parties to have laws criminalizing the most prevalent types of criminal conduct associated with organized crime groups, including money laundering, obstruction of justice, corruption of public officials and conspiracy. The article on money laundering regulation requires parties to institute a comprehensive domestic regulatory and supervisory regime for banks and financial institutions to deter and detect money laundering. The regime will have to emphasize requirements for customer identification, record keeping and reporting of suspicious transactions.

UN Convention against Corruption

The UN Convention against Corruption (Convention), signed by 96 countries, including the United States, at a high-level signing conference December 9-11, 2003 in Merida, Mexico, is the first legally binding multilateral treaty to address on a global basis the problems relating to corruption. The Convention expands on the provisions of existing regional anti-corruption instruments to prevent corruption and provides channels for governments to recover assets that have been illicitly acquired by corrupt former officials. The Convention also provides for the criminalization of certain corruption-related activities such as bribery and money laundering, and for the provision of mutual legal assistance related to those activities. As the Convention against Transnational Organized Crime does, this Convention requires parties to institute a comprehensive domestic regulatory and supervisory

regime for banks and financial institutions to deter and detect money laundering. That regime must emphasize requirements for customer identification, record keeping and reporting of suspicious transactions.

The Financial Action Task Force

The Financial Action Task Force on Money Laundering (FATF), established at the G-7 Economic Summit in Paris in 1989, is an inter-governmental body whose purpose is the development of international standards and the promotion of policies aimed at combating money laundering and the financing of terrorism.

The FATF originally was given the responsibility of examining money laundering techniques and trends, evaluating anti-money laundering measures, and recommending additional steps to be taken. In 1990, FATF first issued its Forty Recommendations on Money Laundering. These recommendations were designed to prevent proceeds of crime from being utilized in future criminal activities and affecting legitimate economic activity. Revised in 1996, and most recently in 2003, to reflect changes in money laundering patterns, these recommendations, along with the FATF Eight Special Recommendations on Terrorist Financing, are widely acknowledged as the international standards in these areas. FATF focused on several major initiatives during 2003.

FATF monitors members' progress in implementing anti-money laundering measures, examines money laundering techniques and countermeasures, and promotes the adoption and implementation of effective anti-money laundering measures globally. In performing these activities, FATF collaborates with various other international organizations, including several FATF-style regional bodies.

In June 2003, membership in the FATF expanded from 31 to 33 jurisdictions--with the addition of South Africa and Russia--and includes two regional organizations. FATF members collectively represent the major financial centers of North America, South America, Europe, Africa, Asia, and the Pacific. The FATF member delegations are drawn from a wide range of disciplines, including experts from Ministries of Finance, Justice, Interior and Foreign Affairs; financial supervisory authorities; and law enforcement agencies. Argentina, Australia, Austria, Belgium, Brazil, Canada, Denmark, European Commission, Finland, France, Germany, Greece, Gulf Co-operation Council, Hong Kong China, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, Kingdom of the Netherlands, New Zealand, Norway, Portugal, Russian Federation, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, United Kingdom and the United States are members of FATF.

Non-Cooperative Countries and Territories Exercise

In 2000, the FATF published its first list of jurisdictions deemed to be noncooperative in the global fight against money laundering (NCCT). Inclusion on the list was determined by an assessment of the jurisdiction against 25 distinct criteria covering the following four broad areas:

- Loopholes in financial regulations;
- Obstacles raised by other regulatory requirements;
- Obstacles to international cooperation; and,
- Inadequate resources for preventing and detecting money laundering activities.

In deciding whether a jurisdiction should be removed from the NCCT list, the FATF membership must be satisfied that a jurisdiction has addressed the previously identified deficiencies. The FATF relies on its collective judgment, and attaches particular importance to reforms in the areas of criminal law, financial supervision, customer identification, suspicious activity reporting, and international co-

operation. As necessary, legislation and regulations must have been enacted and have come into effect before removal from the list may be considered. Additionally, the FATF seeks to ensure that the jurisdiction is implementing needed reforms. Thus, information related to institutional arrangements, the filing and utilization of suspicious activity reports, examinations of financial institutions, and the conduct of money laundering investigations, is considered.

During 2003, the FATF removed Grenada and St. Vincent and the Grenadines from its list of noncooperative jurisdictions. In November of 2003, it called upon its membership to impose additional countermeasures on Burma, a jurisdiction on the NCCT list that had yet to address major deficiencies in its anti-money laundering regime. At the close of 2003, nine jurisdictions remained on the FATF's NCCT list: Burma, Cook Islands, Egypt, Guatemala, Indonesia, Nauru, Nigeria, Philippines and Ukraine.

Revision of the FATF Forty Recommendations on Money Laundering

The FATF Forty Recommendations on Money Laundering constitute the generally accepted international anti-money laundering standard and cover such relevant areas as regulatory, supervisory and criminal law, as well as international cooperation.

Money laundering methods and techniques change as new measures to combat money laundering are implemented and new technologies are developed. Therefore, in 2001, FATF embarked on a review of the FATF Forty Recommendations to ensure that they were current. This effort was concluded in June 2003, when the FATF released its latest revised Forty Recommendations. The following are among the more prominent changes in these revised recommendations:

- Expansion of Criminal Money Laundering Laws;
- Enhanced Due Diligence for Correspondent Banking;
- Increased Scrutiny for Politically Exposed Persons;
- Prohibition of Shell Banks;
- Justifying Use of Bearer Shares;
- Expansion of Definition of "Financial Institution";
- Application of AML Provisions to Gatekeepers; and
- Tightening Third Party Introducer Standards.

Combating the Financing of Terrorism

Shortly after September 11, 2001, the FATF mandate was expanded beyond money laundering to support the worldwide effort to combat terrorist financing. During an extraordinary plenary meeting in Washington, D.C. on October 29-30, 2001, FATF adopted Eight Special Recommendations on Terrorist Financing. These Special Recommendations now represent the international standard in this area.

The FATF membership has completed self-assessments against the Eight Special Recommendations, and the FATF has called upon all countries and jurisdictions to take part in a similar exercise. During 2003, the FATF worked to provide additional interpretation and guidance with respect to its recommendations on terrorist financing. Included in this effort was the issuance of an interpretive note and a best practices paper on alternative remittance systems and an interpretive note on wire transfers (Special Recommendations VI and VII respectively). More recently, the FATF issued, in October 2003, an interpretive note to Special Recommendation III, involving the freezing and confiscating of

terrorist assets. The FATF additionally offered a summary of international best practices on SR III with specific regard to the freezing of terrorist assets.

The FATF continues to work with jurisdictions that lack appropriate measures to combat terrorist financing. At the October 2003 Plenary, FATF launched an assessment initiative in collaboration with the G-8's Counter Terrorism Action Group (CTAG). At the request of CTAG, FATF has begun assessing the counterterrorist financing technical assistance needs of several jurisdictions. These assessments and follow up assistance by CTAG donor countries will assist countries in strengthening their counterterrorist financing regimes and in meeting the standards set by the FATF Eight Special Recommendations as well as the relevant UN Security Council resolutions.

The FATF and the International Financial Institutions

Money laundering and the financing of terrorism are worldwide concerns that undermine the integrity of domestic and global financial systems, increase risks and may impact national security. Since September 11, 2001, the international community has adopted a broad and comprehensive agenda to address these threats. As an important part of that effort, the International Financial Institutions (IFIs), notably the World Bank and the International Monetary Fund (IMF), have agreed to take on an enhanced role in the global fight against money laundering and the financing of terrorism.

A significant part of this enhanced role involves integrating anti-money laundering and counterterrorist financing (AML/CTF) considerations into the IFIs' financial sector assessment, surveillance and diagnostic activities. There has been increased recognition of the need for the IMF and World Bank to increase their involvement in strengthening financial regulatory frameworks and in providing technical assistance to authorities on AML/CTF matters.

The IMF and World Bank are now including assessments of members' AML/CTF regimes in the course of their Financial Sector Assessment Program (FSAP) reviews and in other aspects of their engagement with members. The IMF and World Bank collaborated closely with the FATF, other international standard setters (the Basel Committee of Banking Supervisors, the International Association of Insurance Supervisors, the International Organization of Securities Commissions) and the Egmont Group of Financial Intelligence Units to develop a comprehensive and unified methodology for measuring countries' implementation of AML/CTF principles, based on the FATF Forty Recommendations on Money Laundering and the FATF Eight Special Recommendations on Terrorist Financing.

In the fall of 2002, the FATF membership adopted, and the IMF and World Bank Executive Boards agreed to use, the comprehensive methodology to assess member compliance with AML/CTF principles. As an integral part of the enhanced program, the Executive Boards of the IMF and World Bank approved a twelve-month pilot project to assess members' compliance with AML/CTF principles using the methodology in participation with FATF and FATF-Style Regional Bodies. The United States and other G-7 members have volunteered to be assessed using the new AML/CTF methodology. The pilot project concluded at the end of 2003 and is now under review and evaluation. Subsequent to the release in June 2003 of the new FATF Forty Recommendations, the FATF, in cooperation with the IFIs, began revising the comprehensive assessment methodology. The revised methodology is expected to be completed and adopted by the FATF in February 2004.

The FATF 2003 Typologies Exercise

The FATF conducted its annual typologies exercise (November 17 and 18, 2003, in Oaxaca, Mexico) to examine current and emerging methods, trends, and patterns in money laundering and terrorist financing, and to consider effective countermeasures. The 2003 typologies exercise focused upon

money laundering vulnerabilities in the insurance sector, nonprofit organizations and wire transfers, and their relationships to terrorist financing.

FATF-Style Regional Bodies

The FATF-style regional bodies (FSRBs), which are all observers of FATF, have similar form and functions to those of the FATF, and some FATF members are also members of these bodies. The FSRBs are regional groups that interpret and implement the international standards developed by FATF. The five currently active groups use peer pressure and mutual evaluations of member jurisdictions to encourage their laws' and practices' consistency with FATF standards and recommendations. The FSRBs monitor those whose level of compliance is determined to be less than acceptable, and coordinate and/or provide technical assistance to those and other members. Currently, there are ongoing discussions regarding the establishment of a Central Asia FSRB and a FSRB for the Middle East region. If these FSRBs were to be established, the only geographic region lacking a FSRB would be the Central Africa region.

Asia/Pacific Group on Money Laundering

The Asia/Pacific Group on Money Laundering (APG) is comprised of 26 nations from South Asia, Southeast Asia, East Asia and the South Pacific. They include Australia, Bangladesh, Brunei Darussalam, Chinese Taipei, Cook Islands, Fiji Islands, Hong Kong China, India, Indonesia, Japan, Korea (Republic of), Macau China, Malaysia, Marshall Islands, Nepal, New Zealand, Niue, Pakistan, Palau, Philippines, Samoa, Singapore, Sri Lanka, Thailand, United States and Vanuatu. There are also 13 observer jurisdictions and 13 observer international and regional organizations in the APG.

The APG's mission is to contribute to the global fight against money laundering, organized crime and terrorist financing in the Asia/Pacific region by enhancing anti-money laundering and antiterrorist financing efforts. In 2003, Australia and Korea served as co-chairs of the APG.

Major achievements during 2003 included expansion of the APG with the addition of Brunei Darussalam, adoption of revised APG mutual evaluation procedures incorporating the standard AML/CTF methodology, the completion of two mutual evaluations (South Korea and Palau) and one IMF/World Bank-led assessment of an APG member (Bangladesh), further expansion of the APG's work in the area of technical assistance and training, and a successful typologies meeting in Kuala Lumpur, Malaysia. An APG Steering Group and a Typologies Working Group were also established.

The Sixth Annual Meeting of the APG, in Macau, China in September 2003, reached agreement on a range of issues, including the adoption of a budget and business plan for 2004, the approval of two mutual evaluation reports and an IMF/World Bank-led assessment, agreement to increase the APG Secretariat staff and consideration of future technical assistance and training priorities.

The APG Annual Meeting was preceded by a one day Forum on Technical Assistance and Training, the second such gathering. The Forum provided an opportunity to address coordination and priority issues among donors and providers. In addition, bilateral meetings between priority jurisdictions and interested donors and providers were held to discuss training priorities and to promote the coordinated delivery of assistance.

The Typologies Workshop in December 2003 provided a forum to develop in-depth, practical knowledge and increase understanding of money laundering and terrorist financing methods and trends in the region. The workshop included special presentations and breakout sessions on a number of special topics including terrorist financing, the abuse of wire transfers and nonprofit organizations, and currency smuggling and corruption issues. The APG Typologies Working Group was formally

established and given its first task of producing the annual typologies report, which will be ready for the next APG annual meeting in June 2004.

After the typologies meeting, the APG held an intensive two-day training session for evaluators, in conjunction with the IMF/World Bank, to review the new standard assessment methodology. Participants included personnel with skills and experience in legal, financial and law enforcement matters who will now be ready to participate in future APG mutual evaluations or IMF/World Bank assessments of APG members.

The APG has an ambitious 2004 work program. Among other goals, the APG plans to conduct a number of new mutual evaluations/assessments, which will include Pakistan, India, Nepal, Sri Lanka, Niue, Marshall Islands, and Brunei Darussalam; and to coordinate and deliver increased technical assistance and training, which will be discussed at a Training and Technical Assistance Forum held at the Seventh Annual Meeting in Seoul in June 2004. The APG will also continue to cooperate with related organizations and bodies, including the FATF, other regional anti-money laundering bodies, international and regional financial institutions, the Egmont Group, the UN Global Programme Against Money Laundering, Interpol, the World Customs Organization, the Commonwealth Secretariat and the Pacific Islands Forum Secretariat.

Caribbean Financial Action Task Force

The Caribbean Financial Action Task Force (CFATF) continues to advance its anti-money laundering initiatives within the Caribbean basin. In October 2003, El Salvador became a full member of the CFATF, increasing its membership to 30 jurisdictions. CFATF members include Anguilla, Antigua and Barbuda, Aruba, Commonwealth of the Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Montserrat, Netherlands Antilles, Nicaragua, Panama, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, Turks and Caicos Islands and Venezuela. In October 2003, Antigua and Barbuda assumed Chairmanship of the CFATF and the Egmont Group of Financial Intelligence Units was granted observer status to the CFATF.

Members of the CFATF subscribe to a Memorandum of Understanding (MOU) that delineates the CFATF's mission, objectives, and membership requirements. All members are required to make a political commitment to adhere to and implement the FATF Forty Recommendations on Money Laundering, the FATF Eight Special Recommendations on Terrorist Financing and the CFATF's additional 19 Recommendations, and to undergo peer review in the form of mutual evaluations to assess their level of implementation of the recommendations. Members are also required to contribute to the CFATF budget and to participate in the activities of the body.

In July 2001, the CFATF initiated its second round of mutual evaluations, focused on the effective implementation of the FATF and CFATF Recommendations, as well as the FATF's NCCT 25 criteria. In October 2003, the CFATF's Council of Ministers approved two mutual evaluation reports, Antigua and Barbuda and the Turks and Caicos Islands. The Council of Ministers also reviewed the mutual evaluation report on Barbados. Mutual evaluation reports on Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines, for which on-site visits were conducted during 2002, will be presented and discussed at the April 2004 CFATF Plenary in Trinidad and Tobago. These evaluations were conducted jointly with the World Bank using the common Anti-Money Laundering/Counter Financing of Terrorism (AML/CTF) Methodology. In 2003, the CFATF, IMF and World Bank jointly conducted several workshops for mutual evaluation examiners.

The CFATF has established an initiative to compile annual country reports on each member to assess compliance with the international anti-money laundering and counterterrorist financing standards. This

project is intended to complement the mutual evaluation program and to enhance the CFATF's monitoring capacity. The first set of country reports has been drafted and is expected to be adopted and published in 2004.

In March 2003, the CFATF and the South American Financial Action Task Force (GAFISUD) conducted a joint two-day typologies exercise in Panama City, Panama, focused on terrorist financing and money laundering. During this exercise, 13 presenters from nine countries and one international organization shared expertise focused on detecting and combating terrorist financing and money laundering.

In October 2003, the Council of Ministers endorsed the revised 2003 FATF Forty Recommendations, FATF Interpretative Notes to Special Recommendations III and VI, and the FATF Best Practices Paper on Freezing Terrorist Assets. The Ministers further agreed that the 2003 FATF Forty Recommendations and the FATF Eight Special Recommendations on Terrorist Financing would serve as the benchmarks for the CFATF's third round of mutual evaluations.

Council of Europe MONEYVAL

MONEYVAL generally includes within its membership those Council of Europe member states that are not members of the FATF. MONEYVAL members include Albania, Andorra, Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Latvia, Liechtenstein, Lithuania, Macedonia, Malta, Moldova, Monaco, Poland, Romania, the Russian Federation, San Marino, Serbia and Montenegro, Slovakia, Slovenia and Ukraine. The terms of reference for the MONEYVAL Committee of the Council of Europe were amended in 2003 to permit the Russian Federation to continue its membership even after its accession to the FATF. MONEYVAL aims to encourage legal, financial and punitive measures among its members that are in line with international standards. To accomplish this, it relies on a system of mutual evaluations and peer pressure. MONEYVAL's mandate was most recently extended through the end of 2007.

In 2003, MONEYVAL worked to conclude its second round of mutual evaluations as well as certain first round evaluations of new members. MONEYVAL held three plenary sessions in 2003 during which mutual evaluation reports regarding Azerbaijan, Lithuania, Liechtenstein, Malta, Macedonia, Monaco, Poland, Romania and Slovakia were discussed and adopted. The mutual evaluation of Azerbaijan was notable in that it was conducted using the common assessment methodology agreed to by the FATF and the international financial institutions. MONEYVAL anticipates commencing its third round of mutual evaluations during the second half of 2004, after a revised common assessment methodology has been adopted.

At the close of 2003, MONEYVAL continued to list Georgia as subject to its compliance enhancing procedures due to the existence of continued identified deficiencies in Georgia's anti-money laundering control programs. Under these special procedures, MONEYVAL's actions can range from requiring regular reporting to the delivery of high-level warnings.

Like the FATF, MONEYVAL has taken on additional responsibilities in the area of counterterrorist financing. In 2002, the Council's European Committee on Crime Problems revised MONEYVAL's terms of reference to specifically include the issue of financing terrorism. The current text recognizes the FATF Eight Special Recommendations on Terrorist Financing as international standards and authorizes the evaluation of the performance of MONEYVAL member states in complying with these standards. The Council's Multidisciplinary Group on International Action Against Terrorism has pointed to MONEYVAL's evaluation work as a priority for Council of Europe action. The Council of Europe's Parliamentary Assembly, in its Recommendation 1584, has similarly recognized the importance of MONEYVAL's monitoring and evaluation of all aspects connected with the financing of terrorism.

During 2004, in addition to its ongoing evaluation responsibilities, MONEYVAL will participate in the Committee of Experts on the revision of the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime, more commonly known as the Strasbourg Convention. The feasibility of including preventive measures and counterterrorist financing in the Strasbourg Convention will be examined.

With funding provided by the European Commission, MONEYVAL has organized technical assistance programs for two member states—the Russian Federation and Ukraine. By December 2003, MONEYVAL had placed a resident advisor in Kiev.

Eastern and Southern African Anti-Money Laundering Group

The Eastern and Southern African Anti-Money Laundering Group (ESAAMLG) was launched at a meeting of ministers and high-level representatives in Arusha, Tanzania, in August 1999 and held its first meeting in April 2000. The group maintains its Secretariat in Dar es Salaam, Tanzania. Its member countries are Kenya, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Uganda, Botswana, Lesotho, Zambia and Zimbabwe. The United States, United Kingdom, Commonwealth Secretariat, United Nations and World Bank serve as cooperating nations and organizations.

The ESAAMLG continued its development as a FSRB in 2003 with the following achievements:

- Expanded the ESAAMLG membership to formally include Botswana, Lesotho, Zambia and Zimbabwe as signatories to the ESAAMLG Memorandum of Understanding;
- Conducted mutual evaluation workshops in Bagamoyo, Tanzania, in January 2003 and Dar es Salaam, Tanzania, in May 2003;
- Hired an Executive Secretary in February 2003;
- Assisted in the FATF's mutual evaluation of South Africa and Swaziland in April and August of 2003, respectively;
- Established regional standing sub-groups of experts on legal, law enforcement and financial issues at the August 2003 meeting of the Task Force of Senior Officials;
- Held the first meetings of the expert sub-groups and incorporated their findings and recommendations into the ESAAMLG Work Plan for 2003/2004;
- Adopted the revised FATF Forty Recommendations and the common methodology agreed upon by the FATF, the IMF and the World Bank for conducting evaluations against the FATF Forty Recommendations;
- Held the 2003 annual meeting in August of the ESAAMLG's Ministers in Kampala, Uganda; and,
- Secured continued support and funding from Supporting and Cooperating Nations and Organizations, including a donation of \$70,000.00 by the U.S. Government for programs against terrorist financing.

In accordance with the ESAAMLG Work Plan for 2003/2004, the ESAAMLG anticipates undertaking the following initiatives in 2004:

- Completing a mutual evaluation training session at the end of January 2004 in Zambia (countries sending trainees are Botswana, Kenya, Lesotho, Malawi, Mauritius, Namibia, Tanzania, Uganda);

- Piloting a computer-based Modular Anti-Money Laundering Training Program developed by the UN Global Programme against Money Laundering in Zambia in February 2004;
- Completing mutual evaluations scheduled for Lesotho, Malawi and Namibia by the end of April 2004;
- Working with World Bank First Initiative to fund a workshop in South Africa in May 2004 to assist all ESAAMLG members in developing a strategy outlining how they will go forward on developing an AML/CTF program; and,
- Coordinating technical assistance to ESAAMLG members in developing and implementing AML/CTF strategies.

These initiatives will be reviewed and discussed at a meeting of the Task Force of Senior Officials in March 2004 and the annual Ministerial Meeting in August 2004.

Financial Action Task Force Against Money Laundering in South America

The Memorandum of Understanding establishing the Financial Action Task Force Against Money Laundering in South America, (Grupo de Acción Financiera de Sudamerica Contra el Lavado de Activos or GAFISUD) was signed on December 8, 2000 by nine member states: Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Peru, Paraguay and Uruguay. Mexico, Portugal, Spain, the United States, the Inter-American Development Bank, the International Monetary Fund, the United Nations Office for Drug Control and Crime Prevention, and the World Bank have joined GAFISUD as cooperating and supporting observer members (PACOS). In addition, the Organization of American States' Inter-American Drug Abuse Control Commission (OAS/CICAD) is a special advisory member. GAFISUD is committed to the adoption and implementation of the FATF Forty Recommendations on Money Laundering. GAFISUD's mission also includes member self-assessment and mutual evaluation programs. Headquarters and a permanent Secretariat have been officially established in Buenos Aires, Argentina, and Uruguay has offered a training center as a permanent training venue for GAFISUD.

At the July 2003 Plenary of GAFISUD, Venezuela was admitted as a new member, increasing GAFISUD membership to 10 governments. Argentina was elected to serve as President of GAFISUD in 2004, following Uruguay's Presidency in 2003. The Egmont Group of Financial Intelligence Units was admitted as an observer in December 2003.

Also at the July 2003 Plenary in Buenos Aires, GAFISUD finalized and adopted Mutual Evaluation Reports on Chile, Ecuador, Paraguay, and Peru. This concluded GAFISUD's first round of mutual evaluations. The second round of mutual evaluations is scheduled to begin in summer 2004. Additionally, GAFISUD has adopted an Action Plan to Counter Terrorism and has endorsed the FATF Eight Special Recommendations on Terrorist Financing. GAFISUD has also endorsed the common AML/CTF Methodology for assessing compliance with the FATF Recommendations.

GAFISUD has been increasingly active in training and technical assistance. In March 2003, GAFISUD and CFATF organized a joint two-day typologies exercise in Panama City, Panama, that focused on terrorist financing and money laundering. During this exercise, 13 presenters from nine countries and one international organization shared expertise focused on detecting and combating terrorist financing and money laundering. This was the second joint GAFISUD-CFATF typologies exercise.

Also during 2003, GAFISUD, jointly with the IMF and the World Bank, conducted training for GAFISUD mutual evaluation examiners. In December 2003, GAFISUD conducted a Forum for Financial Institution Supervisors to provide training on implementation of the revised FATF Forty

Recommendations. GAFISUD has also adopted a training work plan for 2004 that will focus on advanced training for financial investigators as well as enhancing legislation to more broadly permit the use, with appropriate safeguards, of special investigative techniques such as informants, undercover operations, task forces and electronic surveillance.

Inter-Governmental Action Group against Money Laundering (GIABA)

The Heads of State and Government of the Economic Community of West African States (ECOWAS) established the Inter-Governmental Action Group against Money Laundering (GIABA) in December 1999. GIABA's first meeting was held in Dakar, Senegal, in November 2000. Members include: Benin, Burkina Faso, Cape Verde Islands, the Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Liberia, Mauritania, Mali, Niger, Nigeria, Senegal and Togo. A Senegalese magistrate serves as the acting head of GIABA.

At the first meeting, GIABA endorsed the FATF Forty Recommendations on Money Laundering, recognized the FATF as an observer, and provided for self-assessment and mutual evaluation procedures to be carried out by GIABA. While the text prepared by the experts provided for a strong involvement of ECOWAS in the activities of GIABA, the Ministers agreed to give more autonomy to the new body.

In November 2002, GIABA held a meeting with representatives from 14 of the member countries (Liberia was not represented) to discuss the money laundering situation in the region and international efforts to combat money laundering. Representatives of FATF, the United Kingdom, the UN Global Programme against Money Laundering, and the U.S. Treasury Department made presentations. GIABA did not set a date for its next meeting and did not hold a plenary session in 2003.

Other Multi-Lateral Organizations & Programs

Caribbean Anti-Money Laundering Programme

The U.S. Government, in partnership with the European Union and the UK Government, launched the Caribbean Anti-Money Laundering Programme (CALP) on March 1, 1999. The Programme is designed to assist the 21 Caribbean Basin member countries of CARIFORUM (the representative organization for Caribbean countries) to develop their anti-money laundering procedures.

The two primary objectives of CALP are:

- To reduce the incidence of the laundering of the proceeds of all serious crime by facilitating the prevention, investigation, and prosecution of money laundering and the seizure and forfeiture of property connected to such laundering activity.
- To develop a sustainable institutional capacity in the Caribbean region to address the issues related to anti-money laundering efforts at a local, regional and international level, by strengthening existing institutional capacity at the regional level, and developing new, or enhancing existing, institutional capacity at the local level.

The holistic approach undertaken by CALP consists of three separate, yet interlinked, sub-programs, detailed as follows using the theme "Taking the Profits out of Crime":

Legal/Judicial

The advisor responsible for delivering this sub-program is heavily involved in worldwide research of anti-money laundering laws, regulations and working practices. Appropriate recommendations are then made to the respective governments of the member countries to ensure they have the necessary legal structures in place to combat money laundering. Countries with very limited facilities are additionally assisted with drafting of the recommended changes to their legislation. Within this sub-program, training is given to prosecutors, magistrates and judges. Awareness training also is given to other organizations within the financial and law enforcement sectors. In 2002, the CALP legal advisor developed a Model Terrorist Financing Law for use by the common law countries covered by CALP. This model legislation is being considered for adoption by other Commonwealth countries, and particularly by member countries of the Eastern and Southern African Anti-Money Laundering Group.

Financial Sector

Experience has shown that much of the intelligence and evidence related to money laundering comes from various financial organizations, in particular, banks, casinos and insurance companies. This sub-program has been developed to train, at all levels, staff within such organizations to identify suspicious financial activity and unusual business transactions. Staff members are made aware of the legal requirements and protection in their respective countries. Particular targets are compliance officers within the financial industry who are normally responsible for some staff training. Most such individuals have anti-money laundering issues as part of their responsibility, so a “train the trainer” theme has been encouraged in an effort to ensure that this aspect of training is sustainable once the Programme has completed.

Law Enforcement

The Law Enforcement expert is principally concerned with the development of training to enable Caribbean law enforcement officers to effectively investigate offenses brought to their attention. The training, from basic to advanced level, has been developed in association with Caribbean law enforcement training establishments. The objective for such establishments is to take over continued training once the Programme has been discontinued. A further objective of this sub-program is to encourage all member countries to form their own financial intelligence units (FIUs), with staff trained to liaise with the financial sector, consider reported suspicious financial activity and prepare intelligence reports to assist the law enforcement officers to investigate suspected offenses.

All experts employed within the overall program are always available to advise investigators, prosecutors and judges on any aspect of anti-money laundering issues.

When the Programme commenced, very few Caribbean countries had any form of anti-money laundering legislation. None had used laws to pursue anti-money laundering case to completion. As a consequence, most investigators, prosecutors and judges had no experience with such cases.

The CALP’s major thrust for 2003 was to assist countries of the Eastern Caribbean to improve their anti-money laundering systems and working practices so as to allow them to be removed from the FATF Non Cooperating Countries and Territories (NCCT) list. With the removal of St. Vincent and the Grenadines in June 2003, this has now been entirely accomplished. Along with a number of other countries, St. Vincent and the Grenadines has now been accepted as a member of the Egmont Group.

At the end of 2003, only two countries, Haiti and Guyana, lacked operational FIUs. However, both nations had established office space for the FIUs and vetted appropriate personnel to staff them, with the expectation that they would be operational by the middle of 2004.

In 2003, CALP undertook a variety of law enforcement and legal/judicial training initiatives in accord with the Programme's primary objective of helping to ensure program sustainability in the region. Jamaica has accepted full responsibility for basic training for financial investigators at its Regional Police Training Center after the CALP terminates. Looking to the future, "train the trainer" and Advanced Investigators Training courses are scheduled for implementation in 2004 at the Regional Police Training School in Barbados. Moreover, "train the trainer" initiatives in the financial sector have been augmented with the updating of CALP's five training videos/CDs so that relevant financial organizations in the region may undertake their own training in the future.

In the legal/judicial sector, the University of the West Indies and the University of Florida have developed a legal faculty in anti-money laundering laws and practices. Via Internet on-line course work, aimed at lawyers, police officers and bankers, successful students will be awarded a diploma, which they may then apply to further study for a university degree. At end of 2003, a British consulting company was completing an evaluation of the CALP, to include an assessment of future training needs for the region.

The Egmont Group of Financial Intelligence Units

An important component of the international community's approach to combating money laundering is the global network of financial intelligence units (FIUs). An FIU is a centralized unit for financial intelligence, formed by a nation to protect its financial services sector, to detect criminal abuse of its financial system and to ensure adherence to its laws against financial crimes, terrorist financing, and money laundering. Since 1995, a number of FIUs have been working together in an informal organization known as the Egmont Group (named for the location of the first meeting at the Egmont-Arenberg Palace in Brussels). Since the first meeting, the number of established FIUs has grown dramatically. At the first Egmont Group meeting in 1995, 20 units met in Brussels; today there are 84 recognized members of the Egmont Group. The following FIUs joined the Egmont Group in 2003: Albania, Anguilla, Antigua and Barbuda, Argentina, Bahrain, Dominica, Germany, Guatemala, Lebanon, Malaysia, Malta, Mauritius, Serbia, South Africa, and St. Vincent and the Grenadines.

The Egmont Group is an international network designed to improve interaction among FIUs in the areas of communications, information sharing, and training coordination. The goal of the Egmont Group is to provide a forum for FIUs around the world to improve support to their respective governments in the fight against money laundering, terrorist financing and other financial crimes. This support includes expanding and systematizing the exchange of financial intelligence information, improving expertise and capabilities of personnel employed by such organizations, and fostering better and more secure communication among FIUs through the application of technology. The Egmont Group's secure Internet system permits members to communicate with one another via secure e-mail, requesting and sharing case information as well as posting and assessing information regarding trends, analytical tools and technological developments. FinCEN, on behalf of the Egmont Group, maintains the Egmont Secure Web (ESW). Currently, there are 74 FIUs connected to the ESW.

In response to the rapid growth of the Egmont Group, in 2002 at the Plenary in Monte Carlo, the group established the "Egmont Committee." The Committee addresses the administrative and operational issues facing the group and is comprised of 13 members: six permanent members and seven regional representatives based on continental groupings (i.e., Asia, Europe, the Americas, Africa and Oceania). The Egmont Committee usually meets three times a year; however, additional meetings may be organized if needed.

Within the Egmont Group, there are four working groups (Legal, Operational, Training/Communications, and Outreach). The Legal Working Group reviews the candidacy of potential members and handles all legal aspects and matters of principle within the Egmont Group. The Training/Communications Working Group looks at ways to communicate more effectively,

identifies training opportunities for FIU personnel and examines new software applications that might facilitate analytical work. In 2002, the Training/Communications Working Group co-hosted a FIU training seminar for analysts in Mexico, and in 2003, Britain's FIU, the National Criminal Intelligence Service, sponsored a technical workshop for information technology specialists in the FIUs. The workshop focused on data mining, information fusion, security, and artificial intelligence. The Outreach Working Group concentrates on expanding and developing the FIU global network by identifying countries that have established or are establishing FIUs. Outreach is responsible for making initial contact with potential candidate FIUs, and conducts assessments to determine if an FIU is ready for Egmont membership.

The fourth and newest working group, the Operational Working Group, was created in 2003. It is designed to foster increased cooperation among the operational divisions of the member FIUs and coordinate the development of studies and typologies—using data collected by the FIUs—on a variety of subjects useful to law enforcement. These include such topics as trafficking in women, money laundering using precious metals, and arms smuggling. The Egmont Group took steps to educate the public about its important programs and its role in the global fight against financial crimes by developing an Egmont web site (www.egmontgroup.org) that became available in September 2003. This public site makes available to the general public documents and information about upcoming meetings of the Egmont Group. It also creates a forum for a public dialogue on the functions and operations of FIUs.

As of December 2003, the members of the Egmont Group are Albania, Andorra, Anguilla, Antigua and Barbuda, Argentina, Aruba, Australia, Austria, Bahamas, Bahrain, Barbados, Belgium, Bermuda, Bolivia, Brazil, British Virgin Islands, Bulgaria, Canada, Cayman Islands, Chile, Colombia, Costa Rica, Croatia, Cyprus, Czech Republic, Denmark, Dominica, Dominican Republic, El Salvador, Estonia, Finland, France, Germany, Greece, Guatemala, Guernsey, Hong Kong, Hungary, Iceland, Ireland, Isle of Man, Israel, Italy, Japan, Jersey, Latvia, Lebanon, Liechtenstein, Lithuania, Luxembourg, Malaysia, Malta, Marshall Islands, Mauritius, Mexico, Monaco, Netherlands, Netherlands Antilles, New Zealand, Norway, Panama, Paraguay, Poland, Portugal, Romania, Russia, Serbia, Singapore, Slovakia, Slovenia, South Africa, South Korea, Spain, St. Vincent & the Grenadines, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Arab Emirates, United Kingdom, United States, Vanuatu and Venezuela.

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

The Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) is responsible for combating illicit drugs and related crimes, including money laundering. In 2003, the commission carried out a variety of anti-money laundering and counterterrorist financing initiatives. These included amending model regulations for the Hemisphere to include techniques to combat terrorist financing, developing a variety of associated training initiatives and participating in a number of money laundering/counter terrorism meetings. This work in the area of money laundering and financial crimes also figures prominently in CICAD's Multilateral Evaluation Mechanism (MEM), which involves the participation of all 34 member states, and in 2003, included the updating and revision of some 80 questionnaire indicators through which the countries mutually evaluate regional efforts and projects.

CICAD's Group of Experts on Money Laundering met in June and November 2003 and developed modifications to the model money laundering legislation, which was approved by the 34th session of the OAS General Assembly. The new legislative guidelines include language on the control of

alternative remittance systems, criminalizing the financing of terrorism, freezing terrorist-related assets and measures for effective asset forfeiture. The two meetings of the money laundering group also reviewed a variety of case studies from the Hemisphere involving, for example, corruption and the effective conduct of money laundering investigations based on suspicious transaction reporting.

In other activity, CICAD worked with the International Development Bank (IDB) and with the Government of France to carry out training for a variety of countries on combating money laundering, effective financial investigations and recovering financial and other assets as the result of corrupt practices. For example, training seminars for prosecutors and judges focused on new trends in prosecution, in particular, the autonomy of the offense, evidence and judicial cooperation, were held in Argentina and Uruguay in 2003, and are still on-going in Brazil and Colombia. Similarly, course work on financial investigations, focused on investigating the assets of criminal organizations, was provided to law enforcement officials from Bolivia, Argentina and Uruguay. In Argentina, CICAD-sponsored training for judges and prosecutors focused on different aspects of recovering assets, including predicate offenses, money laundering and effective international cooperation to combat corruption.

Based upon an agreement for nearly \$2 million concluded in 2002 with the Inter-American Development Bank (IADB), CICAD is currently conducting a two-year project to strengthen financial intelligence units (FIUs) in Argentina, Bolivia, Brazil, Chile, Ecuador, Peru, Uruguay and Venezuela. In 2003, activities included evaluation of strategic plans for the various FIUs, development of training modules based upon local circumstances, basic preparatory work for establishment of an FIU in Peru (legal framework, institutional development, training and communications), and the hiring of experts to advance development of FIUs in Argentina, Chile and Venezuela.

In other activity in 2003, CICAD advised Ecuador on the drafting of its new law against money laundering and served in an observer capacity in the formal evaluation of Ecuador conducted by the Financial Action Task Force of South America Against Money Laundering (GAFISUD).

CICAD participated in a variety of meetings and conferences in 2003, focused on money laundering and financial crimes. These included two GAFISUD conferences, a meeting of the Egmont Group in Australia, CFATF meetings in Panama and Antigua and Barbuda and an International Symposium on Organized Crime in Brazil.

Pacific Islands Forum

The Pacific Islands Forum (PIF) was formed in 1971, and includes all the independent and self-governing Pacific Island countries, Australia and New Zealand. The 16 members are: Australia, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, New Zealand, Niue, Palau, Papua New Guinea, Republic of the Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu. The heads of member governments hold annual meetings, followed by dialogue at the ministerial level with partners Canada, China, European Union, France, Indonesia, Japan, Korea, Malaysia, Philippines, United Kingdom and United States.

The PIF's mission is to work in support of PIF member governments to enhance the economic and social well being of the people of South Pacific by fostering cooperation between governments and international agencies, and by representing the interests of PIF members. Senior government officials from these jurisdictions meet periodically to discuss mutual concerns and regional issues. Meetings have focused heavily on regional trade and economic development issues and, in recent years, the environment. Acting under the Honiara Declaration, PIF members have developed model legislation on extradition, mutual assistance in criminal matters and forfeiture of the proceeds of crime. In 1994, PIF achieved observer status at the UN. It also is an observer at APEC and APG meetings.

Because many of the PIF members are hampered by a lack of resources, the UN Global Programme Against Money Laundering, the United States, Australia, New Zealand and France are providing

assistance to the PIF members through the PIF Secretariat. In 2003, border control training sessions were held for the member jurisdictions. In addition, a program was initiated to help maintain stability in the region by promoting regional cooperation through the development of laws and procedures to prevent terrorism and transnational crime, and to comply with the provisions of UNSCR 1373 and the FATF Eight Special Recommendations on Terrorist Financing. A multi-lateral legal experts working group was established to achieve these goals. The group discussed a regional framework, including model legislation, to address terrorism and organized crime. The draft model law was endorsed at the Forum Leaders meeting in August 2003, and member jurisdictions were urged to enact the legislation as soon as it was finalized.

A new Coordinating Office for the Participating Countries Anti-Money Laundering Initiative (COAMLI) is being established. COAMLI will consist of the PIF Secretariat and the Asia/Pacific Group on Money Laundering (APG) Secretariat in collaboration with the IMF Legal Department. COAMLI will coordinate with the APG to prevent overlapping of activities and projects within the region. PIF is proposing a yearlong project to assist with the development of financial intelligence units (FIUs) in the jurisdictions. The project calls for a team of mentors to provide assistance and training in the establishment and operation of FIUs in the Cook Islands, Fiji, Kiribati, Nauru, Niue, Samoa and Vanuatu. The team would eventually evolve into a central regional contact source for information requests and technical assistance for individual FIUs. COAMLI will also oversee and assist with the establishment of, and obtain funding, for FIUs.

United Nations Global Programme against Money Laundering

The United Nations is one of the most experienced global providers of anti-money laundering (AML) training and technical assistance. The United Nations Global Programme against Money Laundering (GPML), part of the United Nations Office on Drugs and Crime (UNODC), was established in 1997 to assist Member States to comply with the UN Conventions and other instruments that deal with money laundering. These now include the United Nations Convention against Trafficking in Narcotics and Psychotropic Substances (the Vienna Convention), the United Nations Convention against Transnational Organized Crime (the Palermo Convention), which entered into force on April 10, 2003, and the United Nations Convention against Corruption, which was opened for signature in Mérida, Mexico, in December, 2003. GPML is the focal point for AML within the UN system and provides technical assistance and training in the development of related legislation, infrastructure and skills, directly assisting Member States in the detection, seizure and confiscation of illicit proceeds.

Since 2001, the GPML has broadened this work to help Member States counter the financing of terrorism. GPML now incorporates a focus on counterterrorist financing (CTF) in all its technical assistance work. In 2003, GPML completed model CTF legislative provisions for common law systems, and continued to work closely with the U.S. Department of Justice and the Organization for Security and Cooperation in Europe (OSCE) to deliver CTF training, particularly in the Central Asia region and Africa.

Highlights of GPML's work in the first half of 2003 included the launch of its global computer-based training (CBT) initiative. The initiative, based in Bangkok, produced some 12 hours of interactive AML/CTF training for global delivery in the last quarter of 2003 and in 2004. Delivery began in the Pacific Region with a pilot program in Fiji for a wide range of officials, including law enforcement, legal, and financial personnel, and with a needs assessment exercise in eastern and southern Africa, and francophone western Africa. The training program has flexibility in terms of language, level of expertise, target audience and theme. Computer-based training is particularly applicable in countries

and regions with limited resources and law enforcement skills as it can be used for a sustained period of time. As an approach, CBT lends itself well to GPML's global technical assistance operations.

GPML provided technical assistance and training to more than 50 countries and jurisdictions throughout the world in 2003. The UN mentor based in Tanzania, with the Secretariat of the Eastern and Southern African Anti-Money Laundering Group (ESAAMLG), provided training to 14 countries and assisted the Secretariat and Member States in preparing for FATF-style mutual evaluations. Other UN mentors based in the Eastern Caribbean, covering six jurisdictions, assisted in the upgrade of the jurisdictions' AML regimes to meet international standards. The mentor based in the Pacific region, a joint initiative with the Commonwealth Secretariat and the Pacific Islands Forum Secretariat, gave financial investigations technical assistance to the Cook Islands, Marshall Islands, Fiji, Nauru and Vanuatu, offshore financial center jurisdictions at high risk for abuse by money launderers. Mentors and experts also gave support to the development of the legal, administrative, analytical and international co-operation capacity of other national governments, including Canada, Guatemala, Iran, Pakistan, and Russia. In addition, GPML assisted in legislative drafting for many countries, including Kyrgyzstan, Kazakhstan Azerbaijan and South Africa, and conducted a two-day workshop on AML/CTF compliance for Israeli banking, insurance and securities supervisors and regulators.

The GPML's Mentor Programme is one of the most successful and well-known activities of international AML/CTF technical assistance and training, and is increasingly serving as a model for other organizations' initiatives. It is one of the core activities of the GPML technical assistance program. In 2003, GPML consolidated the program, providing on-the-job training that adapts international standards to specific local/national situations, rather than traditional, generic training seminars. The concept originated in response to repeated requests from Member States for longer-term international assistance in this technically demanding and rapidly evolving field. GPML provides experienced prosecutors and law enforcement personnel who work side-by-side with their counterparts in a target country for several months at a time on daily operational matters to help develop capacity. Some advise governments on legislation and policy, while others focus on operating procedures. Regional mentors in Africa, Asia-Pacific and the Caribbean have significantly added to GPML's capacity.

The GPML's Mentor Programme has key advantages over more traditional technical assistance. First, the mentor offers sustained skills and knowledge transfer. Second, mentoring constitutes a unique form of flexible, ongoing needs assessment, where the mentor can pinpoint specific needs over a period of months, and adjust his/her work plan to target assistance that responds to those needs. Third, the Member State has access to an "on-call" resource to provide advice on real cases and problems as they arise. Fourth, a mentor can facilitate access to foreign counterparts for international cooperation and mutual legal assistance at the operational level by using his/her contacts to act as a bridge to the international community.

GPML was among the first technical assistance providers to recognize the importance of countries' creating a financial intelligence capacity, and the program's mentors worked extensively with the development and the implementation phases of financial intelligence units (FIUs) in several countries in the Eastern Caribbean and the Pacific regions. Both the Mentor Programme and the CBT program make a priority of technical assistance and training to FIUs, among other institutions. In 2003, the GPML also continued its support of the Egmont Group of FIUs, co-organizing the Egmont Group/GPML Training Workshop for FIU personnel.

GPML runs the Anti-Money Laundering International Database (AMLID) on the International Money Laundering Information Network (IMoLIN), an online, password-restricted analytical database of national AML legislation, available only to public officials. In 2003, a UN team, including the GPML, began a complete technical and substantive renovation of AMLID, scheduled for completion in March 2004. GPML also maintains an online AML/CTF legal library. IMoLIN (www.imolin.org) is a

practical tool in daily use by government officials, law enforcement and lawyers. The Programme runs this database on behalf of the UN and eight major international partners in the field of anti-money laundering: the Asia/Pacific Group on Money Laundering (APG), the Caribbean Financial Action Task Force (CFATF), the Commonwealth Secretariat, the Council of Europe, the Financial Action Task Force (FATF), Interpol, the Organization of American States (OAS) and the World Customs Organization. The GPML is constantly updating the relevant information on international/national measures, conventions and legislation.

The World Bank and the International Monetary Fund

The World Bank (Bank) and the International Monetary Fund (Fund) conduct two major activities with respect to anti-money laundering (AML)/counterterrorist financing (CTF). First, both institutions cooperate in the provision of technical assistance, and secondly, they cooperate on joint Financial Sector Assessment Programs of countries. The Financial Sector Assessment Program (FSAP) is a joint initiative of the Bank and the Fund that measures and analyzes the depth, development, diversity and durability of a financial system, and formulates ways to strengthen it. In October 2002, the Bank and the Fund launched a pilot program to assess countries' legal and institutional frameworks to fight money laundering and terrorist financing according to the FATF international standards. These assessments typically take place as part of the FSAP. The Bank and the Fund conducted 27 AML/CTF assessments from January to December 2003. The Bank was involved as a technical assistance provider in five of the 15 FATF/FATF-Style Regional Body (FSRB) mutual evaluations in 2003.

The Bank and Fund work closely with FATF and all FSRBs to help member countries build and improve AML/CTF Regimes. The Bank considers its participation in FSRB meetings particularly important in this regard. In the past year, the Bank, Fund, FATF and FSRBs worked together to devise and adopt a Global AML/CTF Methodology which is used worldwide by all organizations which conduct AML/CTF Assessments, to ensure that all assessments are conducted according to a uniform standard. This Methodology is currently being revised following the revision of the FATF Forty Recommendations in June 2003. The Bank and the Fund are working together with FATF on the revision process and working to ensure broader consultation with FSRBs. It is expected that the revision will be concluded by March 2004.

The Bank and the Fund have undertaken a number of steps to raise awareness of AML/CTF issues in member countries and are providing technical assistance to countries to strengthen AML/CTF regimes.

One of the more innovative AML/CTF training programs piloted by the World Bank was a training series delivered by the Global Distance Learning Network (GDLN). Such training programs are delivered over videoconference facilities, and a successful program series was designed specifically for four Central Asian countries and delivered between May and December 2003.

In 2003, the Bank continued the Global Dialogue Series, in order to bring together, by videoconference, leading experts and senior country officials responsible for formulating public policy on AML/CTF for a constructive exchange of ideas. Five Global Dialogues have been held since January 2003 for countries in the Middle East and North Africa, Latin America and Caribbean, and East Asia and the Pacific. Government officials from a total of 24 countries have participated in these Dialogues.

In February 2003, the Bank organized a targeted AML/CTF workshop in Ljubljana, Slovenia, for countries of southeast Europe. This conference was sponsored by the Center for Excellence in Finance, the Slovenian FIU and the Bank. The workshop was focused on helping this group of countries learn "best practices" in building AML/CTF regimes incorporating first-hand experiences about the particular challenges in their region.

During calendar year 2003, the Bank/Fund organized and participated in training programs for ESAAMLG, CFATF, APG, GAFISUD, and GIABA (the nascent FSRB in West Africa). These training programs are expected to continue during 2004 as the FSRBs adopt the revised FATF Recommendations and assessment methodology. In addition to training for FSRBs (which involved legal, regulatory and FIU training), an increasing number of regional projects also involved capacity building for financial sector regulators as well as legislative drafting training on CT.

In addition to regional conferences, the Bank/Fund provides technical assistance to client countries in response to specific requests or following an AML/CTF assessment. Examples of such assistance include the following: reviewing and advising about draft AML/CTF legislation or regulations; training officials and regulators involved in the development and enforcement of AML/CTF systems; and providing advice on the establishment of financial intelligence units. The Bank has also devoted resources to technical assistance projects of wider application such as the production of the first “Reference Guide to Anti-Money Laundering and Combating the Financing of Terrorism” and its translation into four languages besides English.

In August 2003, the Bank launched an external AML/CTF website (www.amlctf.org) which hosts information on the Bank’s programs, upcoming capacity building activities, resource materials, helpful links, and news and current events. The website is kept current with the latest publications, best practices and themes in this area, and provides contact information for individuals or organizations interested in learning more about AML/CTF.

Continuing the Bank’s ground breaking research initiated with its study on the hawala system, and at the request of the Asian Pacific Economic Cooperation (APEC) Alternative Remittance Systems (ARS) Working Group, the Bank prepared a technical paper entitled “Informal Funds Transfer Systems in the APEC Region: Initial Findings and a Framework for Further Analysis”. The paper, presented as a draft report to 21 Finance Ministers and Deputies in Thailand in September 2003, provides country clients with a uniform framework to estimate remittances so they can begin to perform in-depth investigations into ARS flows. In addition, it highlights the benefits of utilizing formal money remittance channels and provides recommendations on how to encourage greater flows of funds through such channels. The paper provides a first indication of the direction and volume of ARS flows from and to APEC economies, which can serve as a basis for future research. Ultimately, the draft report aims to help governments devise strategies that strike an appropriate balance between regulations and creating incentives to encourage greater use of formal remittance channels.

The Bank and the Fund continue to look for new and innovative ways to provide AML/CTF technical assistance to countries which request it. In this regard, the Bank and Fund are seeking to partner with other organizations and donor countries to coordinate technical assistance efforts to meet the needs of countries that want to improve their AML/CTF regimes.

Offshore Financial Centers

The pressure exerted on the offshore financial centers (OFCs) to comply with anti-money laundering standards continued to yield positive results in 2003. Since the beginning of the Financial Action Task Force’s (FATF) Non-Cooperative Countries and Territories (NCCT) exercise in 2000, FATF has identified 23 jurisdictions as NCCTs. Sixteen of the NCCTs have either been OFCs or jurisdictions that offer services commonly associated with OFCs. As of December 31, 2003, however, of the nine remaining NCCT jurisdictions, only three offered offshore financial services: Cook Islands, Guatemala and Nauru. All three have made significant progress in remedying FATF-identified deficiencies. The Cook Islands established a financial intelligence unit; Guatemala strengthened its licensing, registration and regulatory procedures for its offshore banks; and, Nauru reportedly canceled the licenses of its nearly 400 shell banks. The USA PATRIOT Act provision that prohibits transactions

(directly or indirectly) between U.S. financial institutions and foreign shell banks played a key role in Nauru's decision to cancel the licenses of shell banks in its jurisdiction and, undoubtedly, was a major factor contributing to the decrease noted globally in the number of offshore banks.

While there are well-regulated OFCs, located primarily in the larger, wealthier jurisdictions offering offshore financial services, the primary attraction of the offshore sector remains the frequent existence of legal frameworks designed to obscure the identity of beneficial owners, to promote regulatory and supervisory arbitrage, and to provide mitigation or evasion of home-country tax regimes. In the majority of OFCs a wide range of regulations normally imposed on onshore banks are not applicable. In many OFCs, banks with minimal or no capital requirements can be formed, registered and their ownership placed in the hands of nominee directors via the Internet. Often, there are few, if any, disclosure requirements and bank transactions are free of exchange and interest rate restrictions.

Some OFCs offer the ability to form and maintain a variety legal entities such as international business companies (IBCs), "exempt" companies, trusts, investment funds and insurance companies. To maintain the anonymity of the true beneficial owner of these entities, many are formed with nominee directors, nominee officeholders and nominee shareholders. When combined with the use of bearer shares (shares that do not name the owner, rather, ownership is based on physical possession) and "mini-trusts") instruments used to further insulate the beneficial owner while bridging the ownership and management of the corporate entity), IBCs can present impenetrable barriers to law enforcement. The continued selling of "economic citizenship," (passports sold to foreigners who promises to invest in the country) if improperly controlled, creates yet another impediment to law enforcement., as frequently the purchaser of such as a passport can also purchase a new name on the new passport.

Since 2002, the International Monetary Fund (IMF) has conducted assessments of nearly 40 offshore financial sectors. A progress report on the ongoing assessments completed in July 2003 concludes that, in general, supervisory and regulatory regimes need to be strengthened. In many regimes, the technical skills required to effectively supervise compliance with anti-money laundering/counterterrorist financing rules are lacking, as is the ability to address increasingly complex financial instruments. The IMF notes that regulation of banks in the OFCs is generally stronger than the regulation of insurance sectors, while in the securities business, about two-thirds of the assessed OFCs have implemented adequate principles relating to information sharing and cross-border cooperation. The IMF concludes that, in general, many of the assessed OFCs lack effective compliance programs—frequently because of inadequate legislation or lack of resources. The IMF study also concludes that compliance with recommendations regarding terrorist financing is weaker than that regarding money laundering recommendations.¹

As global use of the Internet continues to expand, so too does the ability of criminals to instantaneously transfer funds, providing further opportunities for poorly regulated OFCs to increase their customer bases. The Internet also provides criminals additional opportunities to engage in the placement and layering of illicitly gained funds as well as providing terrorist organizations the opportunity to elude law enforcement efforts to interdict funds.

Internet gaming executed via the use of credit cards and offshore banks represents yet another powerful vehicle for criminals to launder funds from illicit sources as well as to evade taxes. Virtual casinos can be extremely profitable for governments that sell the licenses but that exert inadequate controls, and may, in fact, share in the operator's profits. In 2003, 30 OFCs were observed on the Internet as having virtual gambling sites—more than doubling the number of OFCs reported to have Internet gambling sites in 2002. These sites represent a particularly difficult problem for law

¹ International Monetary Fund, "Offshore Financial Centers, The Assessment Program: A Progress Report and the Future of the Program" July 2003. The report is located on the IMF's website.

enforcement, as the Internet server frequently is located in a country other than the country that has licensed the website.

While the USA PATRIOT Act has had a dramatic impact in reducing the number of shell banks globally, and more OFCs appear to be strengthening their regulatory capacity, the lack of transparency that characterizes the offshore sector makes OFCs attractive places for those who want to hide the movement of their funds. At a time when criminal and terrorist organizations threaten political and economic stability, concerted efforts to effectively supervise and regulate OFCs are essential.

Explanatory Notes—Offshore Financial Services Table

Public information regarding offshore financial centers (OFCs) can be difficult to obtain. Industry publications, discussions with regulators of the OFCs, foreign government finance officials, embassy reports, analyses from United States Government (USG) agencies, international organizations, and secondary sources provided the data for the table.

Excluded are jurisdictions that provide low or no taxes to individuals but offer no other services or products normally associated with the offshore financial service sector. Also excluded are jurisdictions that have established OFCs but for which the USG has little or no information regarding the operations of the OFC. Within most categories presented on the table, the designations Y and N are used to denote the existence (Y) or the nonexistence (N) of the entity or service in a specific jurisdiction. *Where there is no information regarding specific categories, or available information is inconclusive, the corresponding cells on the chart are left blank.* In some categories, symbols other than, or in addition to, a Y or N are used. Explanations for additional symbols are provided below.

Explanations of the categories themselves are either provided in the preceding text, are considered to be self-evident, or are provided below.

Category Designations—Offshore Financial Services Table

Offshore Banks: The number is provided if known. A Y indicates that although a jurisdiction that offers offshore financial services (OFC) licenses offshore banks, the number of such banks is not known. An N indicates that no offshore banks are known to be licensed in the jurisdiction. A blank cell indicates no or inconclusive information regarding whether offshore banks are offered within the OFC.

Trust and Management Companies: These are companies that provide fiduciary services, as well as serving as marketing agents, representatives, lawyers, accountants, trustees, nominee shareholders, directors, and officers of international business companies.

International Business Companies (IBCs) & Restricted Companies: Numbers are provided when known and public; in many cases, the numbers are significantly underreported. A P indicates that the jurisdiction does not publicize the number of IBCs registered within it.

Bearer Shares: Share certificates can be issued without the name of the beneficial owner. A Y indicates that the OFC offers bearer shares; an N indicates that it does not; and a blank cell indicates that the USG does not know if bearer shares are offered within the OFC.

Asset Protection Trusts (APTs): Trusts that protect assets from civil judgment. A Y indicates that the OFC offers APTs; an N indicates that it does not; and a blank cell indicates no or inconclusive information regarding whether APTs are offered within the OFC.

Insurance and Re-insurance Company Formation: A Y indicates that the OFC allows formation of insurance and re-insurance companies; an N indicates that it does not; and a blank cell indicates no or inconclusive information regarding whether insurance and re-insurance companies are allowed within the OFC.

Sells “Economic Citizenship”: A Y indicates that the OFC sells economic citizenships; an N indicates that it does not; and a blank cell indicates no or inconclusive information regarding whether the OFC sells economic citizenships.

Internet Gaming: Licenses granted by jurisdictions that enable grantees to establish “virtual casinos” on the Internet, in which customers can pay via credit card. A Y indicates that the OFC licenses Internet gaming; an N indicates that it does not; and a blank cell indicates no or inconclusive information regarding whether Internet gaming is offered within the OFC.

Criminalized Drug Money Laundering: A D indicates that the OFC has a law criminalizing narcotics-related money laundering only. A BD indicates that crimes other than those related to narcotics are considered to be predicate crimes for money laundering in the OFC. An N indicates that there is no legislation criminalizing money laundering in the OFC.

Financial Action Task Force (FATF) Non-Cooperative Exercise: This column provides the FATF finding. NC indicates the jurisdiction was determined to be noncooperative; R indicates that the jurisdiction was reviewed and was not identified as noncooperative; a blank cell indicates that the jurisdiction was not reviewed. RM indicates that FATF removed the jurisdiction from the NCCT list.

Membership in International Organizations: This cell lists the multinational organizations that have been formed to combat money laundering and/or to establish a sound supervisory regime in which the OFC participates.

Offshore Financial Services Table

Jurisdictions	Offshore Banks	Trust & Management Companies	IBCs/Exempt and/or Restricted Companies	Bearer Shares	Asset Protection Trusts	Insurance and Re-insurance	Sells Economic Citizenship	Internet Gaming	Criminalized Drug Money Laundering (D) & Beyond Drugs (BD)	FATF Noncooperative Exercise	Membership in International Organizations (A, C, CE, F, O, OC, I, S)
The Americas											
Anguilla	2	Y	3,041	Y	Y	Y	N	Y	BD		C, IO ¹
Antigua and Barbuda	15	Y	13,500	N	Y	Y	N	Y	BD	R	C, OC
Aruba	2	Y	4,320	Y	N	Y	N	N	BD		C, F, O, IO, EG
Bahamas	301	Y	47,040	N	Y	Y	N	Y	BD	RM	C, O, OC, I, S, EG
Barbados	56	Y	4,673	N	Y	Y	N	N	BD		C, O, OC, S, EG
Belize	8	Y	22,425	Y	Y	Y	N	Y	BD	R	C, OC, IO
Bermuda	N	Y	13,337	N	Y	Y	N	N	BD	R	C, O, EG
British Virgin Islands	13	Y	360,000	N	Y	Y	N	N	BD	R	C, EG
Cayman Islands	580	Y	30,000	N	Y	Y	N	Y	BD	RM	C, O, I, EG
Costa Rica	8	Y	Y	N	N		N	Y	BD	R	C, OC, S, EG
Dominica	1	Y	8,601	N	Y	Y	Y	Y	BD	RM	C, OC
Grenada	2	Y	2,293	N	Y	Y	N	Y	BD	RM	C, OC
Guatemala	13	N		Y	N			Y	BD	NC	OC

¹ A = Asia/Pacific Group; C = Caribbean Financial Action Task Force; CE = Council of Europe Select Committee on Money Laundering; E = Eastern and Southern Africa Anti-Money Laundering Group; EG = The Egmont Group; F = Financial Action Task Force; I = Offshore Group of Insurance Supervisors (OGIS); IO = Observer to the OGIS; O = Offshore Group of Banking Supervisors; OC = OAS/Inter-American Drug Abuse Control Commission; S = International Organization of Security Commissioners.

Jurisdictions	Offshore Banks	Trust & Management Companies	IBCs/Exempt and/or Restricted Companies	Bearer Shares	Asset Protection Trusts	Insurance and Re-insurance	Sells Economic Citizenship	Internet Gaming	Criminalized Drug Money Laundering (D) & Beyond Drugs (BD)	FATF Noncooperative Exercise	Membership in International Organizations (A, C, CE, F, O, OC, I, S)
Montserrat	11		22	Y		N	N	N	BD		C
Netherlands Antilles	39	Y	18,750	Y	N		N	Y	BD		C, EG, O, I
Panama	34	Y	370,000	Y	Y	Y	N	Y	BD	RM	C, O, OC, S, EG
St. Kitts & Nevis	1	Y	13,800	Y	Y	N	Y	Y	BD	RM	C, OC
(St. Kitts)	N	Y	450								
(Nevis)	1	Y	17,000								
St. Lucia	2	Y	1,052	N	Y	Y	N	Y	BD	R	C, OC
St. Vincent & The Grenadines	10	Y	6,342	N	Y	Y	N	Y	BD	RM	C, OC, EG
Turks and Caicos	8	Y	13,952	N	Y	Y	N	Y	BD	R	C, I
Uruguay	12	N	Y	Y	N	Y	N	N	BD	R	OC, S
Europe											
Andorra											
Cyprus	29	Y	57,600	N	Y	Y	N	Y	BD	R	CE, O, S, EG
Gibraltar	18	Y	8,464	Y	Y	Y	N	Y	BD	R	O, I
Guernsey ¹	65	Y	16,340	N	N	Y	N	N	BD	R	O, I, S, EG
Alderney	N	Y	455		N		N	Y			
Sark	N	Y			N		N	N			
Hungary	N	N	600	Y	N	N	N	Y	BD	RM	CE, EG
Ireland	Y	Y	400	N	N	Y	N	Y	BD		F, S, EG

¹ Guernsey, Jersey, the Isle of Man, Hong Kong, Liechtenstein, Luxembourg and Switzerland are unique. Residents are able to avail themselves of many OFC services and products normally reserved for nonresidents.

Money Laundering and Financial Crimes

Jurisdictions	Offshore Banks	Trust & Management Companies	IBCs/Exempt and/or Restricted Companies	Bearer Shares	Asset Protection Trusts	Insurance and Re-insurance	Sells Economic Citizenship	Internet Gaming	Criminalized Drug Money Laundering (D) & Beyond Drugs (BD)	FATF Noncooperative Exercise	Membership in International Organizations (A, C, CE, F, O, OC, I, S)
Isle of Man	57	Y	Y	Y	N	Y	N	Y	BD	R	O, I, S, EG
Jersey	Y	Y	30,000	N	N	Y	N	N	BD	R	O, I, S, EG
Latvia	N	N	Y	N	N	N	N		BD		CE, EG
Liechtenstein	17	Y	75,000	Y	N	Y	N	Y	BD	RM	CE, EG
Luxembourg	200	Y	68,000	Y	N	Y	N	N	BD		F, S, EG
Malta	N	Y	101	N	N	Y	N	N	BD	R	CE, S
Monaco	N	Y	Y		N		N	N	BD	R	EG
Switzerland	500	Y	Y	Y	N		N	N	BD		F, S, EG
“Turkish Republic of No. Cyprus”	33	N	54		N	N	N	N	D		
Africa & Middle East											
Botswana	1	Y	N	N				N			E
Bahrain	52	Y	Y	N	N	N	N		BD		O, S
Liberia			Y	Y	Y		N	Y	N		
Mauritius	11	Y	10,700	Y	Y		N	Y	N	R	E, O, S
Madeira (Portugal)	27	Y	6,500	N	N	Y	N	N	BD		
Seychelles	Y		4,800	Y	Y	Y	N	Y	BD	R	E
Tunisia	12		1,200	N	N		N	N	N		S
Asia											
Brunei			370	N		Y			BD		A
Hong Kong	Y		500,000		N	Y	N	N	BD		A, F, O, EG
Labuan (Malaysia)	54	Y	4,000	N	Y	Y	N	N	BD		A, I, O, S, EG

Jurisdictions	Offshore Banks	Trust & Management Companies	IBCs/Exempt and/or Restricted Companies	Bearer Shares	Asset Protection Trusts	Insurance and Re-insurance	Sells Economic Citizenship	Internet Gaming	Criminalized Drug Money Laundering (D) & Beyond Drugs (BD)	FATF Noncooperative Exercise	Membership in International Organizations (A, C, CE, F, O, OC, I, S)
Macau	Y		Y		N	Y	N	N	BD		A, O
Singapore	50	N	Y	N	N	Y	N	N	BD		A, F, O, S, EG
Pacific											
Cook Islands	25	Y	1,200	Y	Y	Y	N	Y	BD	NC	A
Marshall Islands	N	Y	4,000	Y	N	N	N	N	BD	RM	A, EG
Nauru	Y	Y	Y	Y	N	Y	Y	N	N	NC	
Niue	N	N	9,220	Y	Y	N	N	N	BD	RM	A
Samoa	8	Y	7,553	Y	Y	Y	N	N	BD	R	A, IO
Vanuatu	55	Y	2,500	Y	N	Y	N	Y	BD	R	A, O, EG

Major Money Laundering Countries

Each year, U.S. officials from agencies with anti-money laundering responsibilities meet to assess the money laundering situations in more than 185 jurisdictions. The review includes an assessment of the significance of financial transactions in the country's financial institutions that involve 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 2003 INCSR assigned priorities to jurisdictions using a classification system consisting of three differential categories titled Jurisdictions of Primary Concern, Jurisdictions of Concern, and Other Jurisdictions Monitored.

The "Jurisdictions of Primary Concern" are those jurisdictions that are identified pursuant to the INCSR reporting requirements as "major money laundering countries." A major money laundering country is defined by statute as one "whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking." However, the complex nature of money laundering transactions today makes it difficult in many cases to distinguish the proceeds of narcotics trafficking from the proceeds of other serious crime. Moreover, financial institutions engaging in transactions involving significant amounts of proceeds of other serious crime are vulnerable to narcotics-related money laundering. The category "Jurisdiction of Primary Concern" recognizes this relationship by including all countries and other jurisdictions whose financial institutions engage in transactions involving significant amounts of proceeds from all serious crime. Thus, the focus of analysis in considering whether a country or jurisdiction should be included in this category is on the significance of the amount of proceeds laundered, not of the anti-money laundering measures taken. This is a different approach taken than that of the FATF Non-Cooperative Countries and Territories (NCCT) exercise, which focuses on a jurisdiction's compliance with stated criteria regarding its legal and regulatory framework, international cooperation, and resource allocations.

All other countries and jurisdictions evaluated in the INCSR are separated into the two remaining groups, "Jurisdictions of Concern" and "Other Jurisdictions Monitored," on the basis of a number of factors that can include: (1) whether the country's financial institutions engage in transactions involving significant amounts of proceeds from serious crime; (2) the extent to which the jurisdiction is or remains vulnerable to money laundering, notwithstanding its money laundering countermeasures, if any (an illustrative list of factors that may indicate vulnerability is provided below); (3) the nature and extent of the money laundering situation in each jurisdiction (for example, whether it involves drugs or other contraband); (4) the ways in which the United States regards the situation as having international ramifications; (5) the situation's impact on U.S. interests; (6) whether the jurisdiction has taken appropriate legislative actions to address specific problems; (7) whether there is a lack of licensing and oversight of offshore financial centers and businesses; (8) whether the jurisdiction's laws are being effectively implemented; and (9) where U.S. interests are involved, the degree of cooperation between the foreign government and U.S. government agencies. Additionally, given concerns about the increasing interrelationship between inadequate money laundering legislation and terrorist financing in 2003, terrorist financing was an additional factor considered in making a determination as to whether a country should be considered an "Other Jurisdiction Monitored" or a "Jurisdiction of Concern". A government (e.g., the United States or the United Kingdom) can have comprehensive anti-money laundering laws on its books and conduct aggressive anti-money laundering enforcement efforts but still be classified a "Primary Concern" jurisdiction. In some cases, this classification may simply or largely be a function of the size of the jurisdiction's economy. In such jurisdictions quick, continuous and effective anti-money laundering efforts by the government

are critical. While the actual money laundering problem in jurisdictions classified “Concern” is not as acute, they too must undertake efforts to develop or enhance their anti-money laundering regimes. Finally, while jurisdictions in the “Other” category do not pose an immediate concern, it will nevertheless be important to monitor their money laundering situations because, under the right circumstances, virtually any jurisdiction of any size can develop into a significant money laundering center.

Vulnerability Factors

The current ability of money launderers to penetrate virtually any financial system makes every jurisdiction a potential money laundering center. There is no precise measure of vulnerability for any financial system, and not every vulnerable financial system will, in fact, be host to large volumes of laundered proceeds, but a checklist of what drug money managers reportedly look for provides a basic guide. The checklist includes:

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

- Well-established offshore financial centers or tax-haven banking systems, especially jurisdictions where such banks and accounts can be readily established with minimal background investigations.
- Extensive foreign banking operations, especially where there is significant wire transfer activity or multiple branches of foreign banks, or limited audit authority over foreign-owned banks or institutions.
- Jurisdictions where charitable organizations or alternate remittance systems, because of their unregulated and unsupervised nature, are used as avenues for money laundering or terrorist financing.
- Limited asset seizure or confiscation authority.
- Limited narcotics, money laundering and financial crime enforcement and lack of trained investigators or regulators.
- Jurisdictions with free trade zones where there is little government presence or other supervisory authority.
- Patterns of official corruption or a laissez-faire attitude toward the business and banking communities.
- Jurisdictions where the U.S. dollar is readily accepted, especially jurisdictions where banks and other financial institutions allow dollar deposits.
- Well-established access to international bullion trading centers in New York, Istanbul, Zurich, Dubai and Mumbai.
- Jurisdictions where there is significant trade in or export of gold, diamonds and other gems.
- Jurisdictions with large parallel or black market economies.
- Limited or no ability to share financial information with foreign law enforcement authorities.

Changes in INCSR Priorities, 2003-2004

Jurisdiction moving from the Primary Concern Column to the Concern Column: **Dominica**

Jurisdictions moving from the Concern Column to the Other Column: **Marshall Islands, Niue**

Jurisdictions moving from the Concern Column to the Primary Concern Column: **Bosnia and Herzegovina, and Latvia**

Jurisdictions moving from the Other Column to the Concern Column: **Afghanistan, Bangladesh, Belarus, Cote d'Ivoire, Iran, Jordan, Kenya, Kuwait, Morocco, Qatar, Saudi Arabia, Sierra Leone, Syria, and Tanzania.**

The following countries were added to the Money Laundering & Financial Crimes report this year and are included in the "Other" Column: **Burundi, Djibouti, East Timor, Guinea-Bissau, Rwanda, and San Marino.**

In the *Country/Jurisdiction Table* on the following page, "major money laundering countries" that are included in the "jurisdictions of primary concern" list are identified for purposes of statutory INCSR reporting requirements. Identification as a "major money laundering country" is based on whether the country or jurisdiction's financial institutions engage in transactions involving significant amounts of

proceeds from serious crime. It is not based on an assessment of the country or jurisdiction's legal framework to combat money laundering; its role in the terrorist financing problem; or the degree of its cooperation in the international fight against money laundering, including terrorist financing. These factors, however, are included among the vulnerability factors when deciding whether to place a country in the "concern" or "other" column.

Country/Jurisdiction Table

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

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, 2003 that jurisdictions have, or have not, taken to combat money laundering. This reference table provides a comparison of elements that define legislative activity and identify other characteristics that can have a relationship to money laundering vulnerability.

1. “Criminalized Drug Money Laundering”: The jurisdiction has enacted laws criminalizing the offense of money laundering related to drug trafficking.
2. “Criminalized Beyond Drugs”: The jurisdiction has extended anti-money laundering statutes and regulations to include nondrug-related money laundering.
3. “Record Large Transactions”: By law or regulation, banks are required to maintain records of large transactions in currency or other monetary instruments.
4. “Maintain Records Over Time”: By law or regulation, banks are required to keep records, especially of large or unusual transactions, for a specified period of time, e.g., five years.
5. “Report Suspicious Transactions”: By law or regulation, banks are required to record and report suspicious or unusual transactions to designated authorities. On the Comparative Table the letter “M” signifies mandatory reporting.
6. “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 concerning suspected proceeds of crime, or required by national legislation or regulation, in order to counter money laundering. These reflect those jurisdictions that are members of the Egmont Group.
7. “System for Identifying and Forfeiting Assets”: The jurisdiction has enacted laws authorizing the tracing, freezing, seizure and forfeiture of assets identified as relating to or generated by money laundering activities.
8. “Arrangements for Asset Sharing”: By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions which assisted in the conduct of the underlying investigation.
9. “Cooperates w/International Law Enforcement”: By law or regulation, banks are permitted/required to cooperate with authorized investigations involving or initiated by third party jurisdictions, including sharing of records or other financial data.
10. “International Transportation of Currency”: By law or regulation, the jurisdiction, in cooperation with banks, controls or monitors the flow of currency and monetary instruments crossing its borders. Of critical weight here are the presence or absence of wire transfer regulations and use of reports completed by each person transiting the jurisdiction and reports of monetary instrument transmitters.
11. “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.
12. “Non-Bank Financial Institutions”: By law or regulation, the jurisdiction requires nonbank financial institutions to meet the same customer identification standards and adhere to the same reporting requirements that it imposes on banks.

13. “Disclosure Protection Safe Harbor”: By law, the jurisdiction provides a “safe harbor” defense to banks or other financial institutions and their employees who provide otherwise confidential banking data to authorities in pursuit of authorized investigations.
14. “States Parties to 1988 UN Drug Convention”: As of December 31, 2001, a 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.¹
15. “Criminalized the Financing of Terrorism.” The jurisdiction has criminalized the provision of material support to terrorists and/or terrorist organizations.
16. “States Party to the UN International Convention for the Suppression of the Financing of Terrorism.” As of December 31, 2003, a 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.

¹ The United Kingdom extended its application of the 1988 Convention and the United Kingdom Terrorism Order 2001 to Anguilla, Bermuda, the British Virgin Islands, the Cayman Islands, Gibraltar, Montserrat, Turks and Caicos, Isle of Man, Jersey, and Guernsey. The International Convention for the Suppression of the Financing of Terrorism has not yet been so extended. Neither Niue nor Taiwan are members of the United Nations.

Comparative Table

Actions by Governments	Criminalized Drug Money Laundering	Criminalized Beyond Drugs	Record Large Transactions	Maintain Records Over Time	Report Suspicious Transactions (NMP)	Financial Intelligence Unit	System for Identifying/Forfeiting Asset s	Arrangements for Asset Sharing	Cooperates w/International Law Enf.	Int'l. Transportation of Currency	Mutual Legal Assistance	Non-Bank Financial Institutions	Disclosure Protection "Safe Harbor"	States Party to 1988 UN Convention	Criminalized Financing of Terrorism	Internat'l Terrorism Financing Connection
Government/Jurisdiction																
Afghanistan	N	N	N	N	N	N	N	N	N	N	Y	N	N	Y	N	Y
Albania	Y	Y	Y	Y	M	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y
Algeria	N	N	N	N	M	N	N	N	N	Y	N	N	Y	Y	Y	Y
Andorra	Y	Y	Y	Y	M	Y	Y	N	Y	N	Y	Y	Y	Y	N	N
Angola	Y	N	N	N	N	N	N	N	N	N	Y	N	N	N	N	N
Anguilla	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N
Antigua & Barbuda	Y	Y	N	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Argentina	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N
Armenia	Y	Y	N	Y	M	N	N	N	N	N	Y	N	Y	Y	N	N
Aruba	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Australia	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Austria	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y
Azerbaijan	Y	N	N	Y	N	N	N	N	N	Y	Y	N	N	Y	Y	Y
Bahamas	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Bahrain	Y	Y	N	Y	M	Y	Y	N	Y	N	Y	Y	Y	Y		N
Bangladesh	Y	Y	N	Y	M	N	N	N	N	N	Y	N	N	Y	N	N
Barbados	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Belarus	Y	Y	Y	Y	M	N	Y	N	Y	N	Y	Y	Y	Y	Y	N
Belgium	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N
Belize	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Benin	Y	N	Y	N	M	N	Y	N	Y	Y	N	N	Y	Y	N	N
Bermuda	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N
Bolivia	Y	Y	N	Y	M	Y	Y	N	N	N	Y	N	Y	Y	N	Y
Bosnia & Herzegovina	Y	Y	N	Y	M	N	Y	N	N	N	N	N	N	Y	N	Y

Money Laundering and Financial Crimes

Actions by Governments																
	Criminalized Drug Money Laundering	Criminalized Beyond Drugs	Record Large Transactions	Maintain Records Over Time	Report Suspicious Transactions (NMP)	Financial Intelligence Unit	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Cooperates w/International Law Enf.	Int'l. Transportation of Currency	Mutual Legal Assistance	Non-Bank Financial Institutions	Disclosure Protection "Safe Harbor"	States Party to 1988 UN Convention	Criminalized Financing of Terrorism	Internat'l Terrorism Financing Connection
Botswana	Y	Y	Y	Y	M	N	Y	Y		N	Y	N		Y	N	Y
Brazil	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
British Virgin Islands	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Brunei Darussalam	Y	Y	N	Y	M	N	Y	N		N		Y	N	Y	Y	Y
Bulgaria	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Burkina Faso	N	N	N	N	N	N	N	N	N	N	N	N	N	Y	N	Y
Burma	Y	Y	N	Y	M	N	Y	N	N	N	N	Y	N	Y	N	N
Burundi	N	N	N	Y	N	N	N	N	Y	N	N	N	N	Y	N	N
Cambodia	Y	N	Y	Y	M	N	N	N	Y	Y	N	N	N	N	N	N
Cameroon	N	N	N	N	N	N	N	N	N	N	N	N	N	Y	N	N
Canada	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Cayman Islands	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Chad	Y	Y	Y	Y	M	N	Y			Y	N	Y	N	Y	N	N
Chile	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y
China (PRC)	Y	Y	Y	N	M	N	Y	N	Y	Y	Y	N	N	Y	Y	N
Colombia	Y	Y	Y	Y	M	Y	Y	N	Y	N	Y	N	Y	Y	N	N
Comoros	N	N	N	N	N	N				N		N	N	Y	N	Y
Congo (Dem. Republic)	N	N	Y	N	N	N	N	N	N	N	N	N	N	N	N	N
Cook Islands	Y	Y	N	Y	M	N	Y	Y	Y	Y	Y	Y	Y	N	N	N
Congo (Republic)	Y	Y	N	N	N	N	N	N	N	N	N	N	N	N	Y	N
Costa Rica	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y
Cote D'Ivoire	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	N	Y	Y	N	Y
Croatia	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Cuba	Y	Y	N	N	P	N	Y	N	N	Y	N	N	N	Y	N	Y
Cyprus	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Czech Republic	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N

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Denmark	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Djibouti	Y	Y		Y	M	N	N	N	Y	N	Y	Y	Y	Y	N	N
Dominica	Y	Y	N	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Dominican Republic	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N
East Timor	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
Ecuador	Y	N	Y	Y	M	N	N	Y	N	N	Y	N	N	Y	N	Y
Egypt	Y	Y	N	Y	M	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
El Salvador	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Eritrea	N	N	N	N	N	N	N	N	N	N	N	N	N	Y	N	N
Estonia	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Ethiopia	N	N	Y	Y	M	N	N	N	N	N	N	N	N	Y	N	N
Fiji	Y	Y	N	Y	M	N	Y	N	Y	Y	Y	N	Y	Y	N	N
Finland	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y
France	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Gabon	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
Gambia	Y	Y	N	Y	M	N	Y	N	N	N	N	N	N	Y	N	N
Georgia	Y	Y	N	N	M	N	N	N	N	N	Y	N	N	Y	Y	Y
Germany	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Ghana	Y	Y	N	Y	N	N	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Gibraltar	Y	Y	Y	Y	M	N	Y	Y	Y	N	Y	Y	Y	N	Y	N
Greece	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y		N
Grenada	Y	Y	N	Y	M	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Guatemala	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Guernsey	Y	Y	N	Y	M	Y	Y	Y	Y	N	Y	Y	N	Y	Y	N
Guinea	Y	N	N	N	N	N	N	N	N	N	N	N	N	Y	N	Y

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Guinea-Bissau	N	N	N	N	N	N	N	N	N	N	N	N	N	Y	N	N
Guyana	Y	Y	N	Y	M	N	Y	N	N	Y	Y	N	Y	Y	N	N
Haiti	Y	Y	Y	Y	M	N	Y	N	N	Y	N	Y	Y	Y	N	N
Honduras	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Hong Kong	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N
Hungary	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Iceland	Y	Y	Y	Y	M	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y
India	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Indonesia	Y	Y	N	Y	M	N	N	N	Y	Y	Y	N	N	Y	Y	N
Iran	N	N	N	N	N	N	N	N	N	N	Y	N	N	Y	N	N
Ireland	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N
Isle of Man	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Israel	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Italy	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Jamaica	Y	Y	Y	Y	M	N	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Japan	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Jersey	Y	Y	N	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N
Jordan	Y	Y	N	Y	M	N	N	N	N	N	Y	Y	Y	Y	Y	Y
Kazakhstan	Y	N	N	Y	P	N	N	N	N	Y	Y	N	N	Y	N	Y
Kenya	Y	N	Y	Y	P	N	Y	N	Y	Y	Y	N	N	Y	N	Y
Korea (DPRK)	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
Korea (Republic of)	Y	Y	N	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N
Kosovo	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
Kuwait	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	N	N
Kyrgyzstan	N	N	N	N	P	N	Y	N	N	N	N	N	N	Y	N	Y
Laos	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N

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Latvia	Y	Y	Y	Y	M	Y	N	N	Y	N	Y	Y	Y	Y	N	Y
Lebanon	Y	Y	Y	Y	M	Y	Y	N	N	N	Y	Y	Y	Y	Y	N
Lesotho	N	N	Y	Y	M	N	N	N	Y	N	Y	N	N	Y	N	Y
Liberia	N	N	N	N	N	N	N	N	N	Y	N	N	N	N	N	Y
Liechtenstein	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y
Lithuania	Y	Y	Y	Y	M	Y	N	N	Y	Y	Y	Y	Y	Y	N	Y
Luxembourg	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y
Macau	Y	Y	N	Y	M	N	Y	N	Y	N	Y	Y	Y	Y	Y	N
Macedonia	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Madagascar	Y	N	N	N	N	N	N	N		N	N	N	N	Y	N	Y
Malawi	N	N	Y	Y	P	N	N	N		N	N	N	N	Y	N	Y
Malaysia	Y	Y	N	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Maldives	Y	N	N	N	N	N	N	N		N		N	N	Y	Y	N
Mali	N	N	N	N	N	N	N	N	N	N	N	N	N	Y	N	Y
Malta	Y	Y	N	Y	M	Y	Y	N	Y	N	Y	Y	N	Y	Y	Y
Marshall Islands	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y
Mauritius	Y	Y	N	Y	M	Y	Y	N	Y	N	Y	Y	Y	Y	Y	N
Mexico	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y
Micronesia	Y	Y	N	Y	N	N	Y	N	Y	N	Y	N	N	N	N	Y
Moldova	Y	Y	N	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Monaco	Y	Y	N	Y	M	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y
Mongolia	N	N	N	N	N	N	N	N	N	N	N	N	N	Y	N	N
Montenegro	Y	Y	Y	Y	M	N	N	N	Y	N	Y	N	Y	Y	N	Y
Montserrat	Y	Y	N	Y	M	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Morocco	N	N	N	Y	M	N	N	N	N	N	Y	N	N	Y	Y	Y
Mozambique	Y	Y	Y	Y	M	N	Y	N	N	Y	Y	Y	Y	Y	N	Y

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Namibia	N	N	Y	Y	M	N	N	N	N	N	N	N	Y	N	N	N
Nauru	Y	Y	N	Y	M	N	Y	Y	Y	N	Y	Y	Y	N	N	N
Nepal	N	N	N	Y	N	N	Y	N	Y	N	N	N	N	Y	N	N
Netherlands	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y
Netherlands Antilles	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
New Zealand	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Nicaragua	Y	N	Y	Y	M	N	Y	N	Y	Y	Y	N	N	Y	N	Y
Niger	N	N	Y	N	P	N	Y	N	Y	N	N	N	N	Y	N	N
Nigeria	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Niue	Y	Y	N	Y	M	N	Y	N	Y	N	Y	Y	Y	NA	N	N
Norway	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Oman	Y	Y	Y	Y	M	N	Y		Y	N	Y	Y		Y	N	N
Pakistan	Y	N	N	Y	N	N	Y	N	N	N	Y	N	Y	Y	N	N
Palau	Y	Y	Y	Y	M	N	Y	Y	Y	N	Y	Y	N	N	N	Y
Panama	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Papua New Guinea	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	Y
Paraguay	Y	Y	Y	Y	M	Y	Y	N	Y	N	Y	Y	Y	Y	N	N
Peru	Y	Y	Y	Y	M	N	Y	Y	Y	N	Y	Y	Y	Y	N	Y
Philippines	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Poland	Y	Y	Y	Y	M	Y	N	N	Y	Y	Y	Y	Y	Y	N	Y
Portugal	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Qatar	Y	Y	Y	Y	M	N	Y	Y	Y	N	Y	Y	Y	Y	Y	N
Romania	Y	Y	Y	Y	M	Y	N	N	N	N	Y	Y	Y	Y	Y	Y
Russia	Y	Y	Y	Y	M	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y
Rwanda	N	N	N	N	N	N	N	N	N	N	N	N	N	Y	N	Y
Samoa	Y	Y	N	Y	M	N	Y	Y	Y	Y	Y	Y	Y	N	Y	Y

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San Marino	Y	Y	N	Y	M	N							Y	N	Y	
Sao Tome & Principe	N	N	N	N	N	N	N	N	N	N	N	N	Y	N	N	
Saudi Arabia	Y	Y	N	Y	M	N	Y	N	Y	N	Y	Y	Y	Y	N	
Senegal	Y	N	N	Y	M	N	Y	N		N	Y	N	Y	N	N	
Serbia	Y	Y	Y	Y	M	Y	N	Y	Y	N	Y	Y	Y	N	Y	
Seychelles	Y	Y	N	Y	M	N	Y	N		N	Y	Y	Y	Y	N	
Sierra Leone	N	N	N	Y	P	N	N	N	N	N	N	N	Y	N	Y	
Singapore	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	
Slovakia	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	
Slovenia	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	N	N	
Solomon Islands	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	
South Africa	Y	Y	N	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	
Spain	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	
Sri Lanka	N	N	N	N	N	N	N	N	N	N	Y	N	Y	Y	Y	
St Kitts & Nevis	Y	Y	Y	Y	M	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	
St. Lucia	Y	Y	N	Y	M	N	Y	N	Y	N	Y	Y	Y	N	N	
St. Vincent/Grenadines	Y	Y	N	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	
Suriname	Y	Y	N	Y	M	N	Y		N	N	Y	Y	Y	N	N	
Swaziland	Y	Y	Y	Y	M	N	Y	N	Y	N	Y	N	Y	N	Y	
Sweden	Y	Y	Y	Y	M	Y	Y		Y	N	Y	Y	Y	Y	Y	
Switzerland	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	
Syria	N	N	N	N	N	N	Y	N	N	N	Y	N	Y	N	N	
Taiwan	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	NA	N	N	
Tajikistan	Y	Y	N	N	N	N	N	N	N	Y	Y	N	Y	N	N	
Tanzania	Y	N	Y	Y	P	N	Y	N	Y	N	Y	N	Y	Y	Y	
Thailand	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	N	

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Togo	Y	N	Y	Y	N	N	Y	N		N		N	Y	Y	Y	Y
Tonga	Y	Y	Y	Y	N	N	Y	N	Y	Y	N	N	N	Y	N	Y
Trinidad & Tobago	Y	Y	Y	Y	M	N	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Tunisia	N	N	N	Y	N	N	Y	N	N	Y	N	N	N	Y	Y	Y
Turkey	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	N	Y	N	Y
Turkmenistan	Y	Y	N	N	N	N	N	N	N	Y	N	N	N	Y	N	N
Turks & Caicos	Y	Y	Y	Y	M	N	Y	Y	Y	N	Y	Y	Y	Y	Y	N
Uganda	Y	N	N	N	N	N	N	N		N	N	N	N	Y	Y	Y
Ukraine	Y	Y	Y	Y	M	N	N	N	Y	Y	Y	Y	Y	Y	N	Y
United Arab Emirates	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N
United Kingdom	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y
United States	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Uruguay	Y	Y	Y	Y	M	N	Y	N	Y	N	Y	Y	Y	Y	N	Y
Uzbekistan	Y	Y	Y	Y	M	N	Y	N	N	Y	Y	N	N	Y	Y	Y
Vanuatu	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	N	Y	N
Venezuela	Y	N	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Vietnam	Y	Y	N	Y	N	N	Y	N	N	N	Y	N	Y	Y	N	Y
Yemen	Y	Y	N	Y	M	N	N	N	N	N	Y	Y	N	Y	N	N
Zambia	Y	Y	N	Y	M	N	Y	N	Y	N	Y	N	N	Y	N	N
Zimbabwe	Y	N	N	N	N	N	Y	N	N	N	N	N	N	Y	N	N