

Country Reports

Afghanistan

While Afghanistan is not a regional financial or banking center, its informal financial and credit system is extremely robust in scope and scale. Afghanistan is a major drug transit and drug producing country. Afghanistan recently passed anti-money laundering and terrorist financing legislation, and many efforts are being made to strengthen police and customs forces. However, there remain few resources and little expertise to combat financial crimes, or to produce meaningful financial intelligence. The most fundamental obstacles continue to be legal, cultural and historical factors that many times conflict with more Western-style proposed reforms to the financial sector generally.

In early 2004, the Central Bank of Afghanistan, Da Afghanistan Bank (DAB), worked in collaboration with the International Monetary Fund (IMF) and the United Nations Office on Drugs and Crime (UNODC) to establish the legislative framework for anti-money laundering and the suppression of the financing of terrorism. Although Afghanistan was unable to meet its initial commitment to enact both pieces of legislation by September 30, 2004, they were both finalized and signed into law by late October. In addition, the Government of Afghanistan (GOA) has now become a party to all relevant UN Conventions and protocols relating to the financing of terrorism and laundering of funds and other proceeds of crimes, which include the International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Illicit Traffic in Narcotics and Psychotropic Substances.

The Central Bank claims that both the Anti-Money Laundering (AML) and Proceeds of Crime and Combating the Financing of Terrorism laws incorporate provisions for complying with the international standards set forth by the Financial Action Task Force (FATF), meet or exceed international standards, and principally address the criminalization of money laundering and the financing of terrorism, customer due diligence, the establishment of a Financial Intelligence Unit (FIU), international cooperation, extradition, and the freezing and confiscation of funds. In fact, the AML law also includes provisions to address cross-border currency reporting, and establishes authorities to seize and confiscate monies found to be undeclared or falsely declared, or determined to be transferred for illicit purposes. However, the capability to enforce these provisions is nearly non-existent, and furthermore, these provisions are largely unknown in many parts of the country.

Under the new AML law, an FIU must be established and function as a semi-autonomous unit within DAB. Additionally, banks are required to report suspicious transactions and all cash transactions as prescribed by DAB to the FIU, which has the legal authority to freeze assets for up to 7 days. The FIU then directs cases to the Government Prosecutor's office within the Ministry of Justice, which will assign it to the appropriate court. The Department of Financial Supervision is coordinating the development of the FIU, which was originally planned for completion in January 2005. However, a number of key issues remain that must be considered before the FIU can be developed in an effective manner.

At present, there exist three recently re-licensed state-owned banks, four foreign banks, and three additional domestic banks. With the possible exception of the foreign banks, no banks are equipped with the knowledge or technical capacity to produce financial intelligence, and many are looking to both the Central Bank and the Ministry of Finance to provide training on the requirements set forth by the newly passed anti-money Laundering legislation, to include: customer due diligence/know your customer provisions (KYC), record keeping, currency transaction reporting (CTRs), suspicious transaction reporting (STRs), and the establishment of internal AML/CFT controls. There seems to be a lack of knowledge on the part of DAB as to the compliance capabilities of banks other than those

that are state-owned. The majority of their efforts have been devoted to re-licensing efforts, basic training and staffing.

The Ministry of Interior and the Government/Public Prosecutions Office are the primary enforcement authorities, although neither is able to conduct financial investigations, and both lack the training necessary to follow potential leads generated by an FIU, whether within Afghanistan or from international sources. Pursuant to the Central Bank law, there are plans for the development of a Financial Services Tribunal, which will be dedicated to prosecuting cases for a myriad of financial crimes, although there is a need for significant training for prosecutors and judges before this Tribunal can be effectively stood up. At present, all financial fraud cases are being forwarded to the Kabul High Court, where there has been little or no activity in the last two years. The process to prosecute and adjudicate cases is long and cumbersome, and significantly underdeveloped. A resident legal advisor to train prosecutors and judges has recently been placed in Kabul to help develop these mechanisms.

The majority of the money laundering in Afghanistan is linked to the trade of narcotics. Afghanistan accounts for a large majority of the world's opium production and in 2004 its internal production of opium increased. Opium gum itself is often used as a currency, especially for rural farmers, and it is used as a storehouse or bank of value in prime production areas. It is estimated that over 60 percent of Afghanistan's GDP is derived directly from narcotics activities, and proceeds generated from the drug trade have reportedly fueled a growing real estate boom in Kabul, as well as a sharp increase in capital investment in rural poppy growing areas.

Afghan opium is refined into heroin by production labs, more of which are being established within Afghanistan's borders. The heroin is then often broken into small shipments and smuggled across porous borders for resale abroad. Payment for the narcotics outside the country is facilitated through a variety of means, including through conventional trade and the hawala system (money exchange dealers). The narcotics themselves are often used as tradable goods and as a means of exchange for foodstuffs, vegetable oils, electronics, and other goods between Afghanistan and neighboring Pakistan. Many of these goods are smuggled into Afghanistan from neighboring countries or enter through the Afghan Transit Trade without payment of customs duties or tariffs. Invoice fraud, corruption, indigenous smuggling networks, and legitimate commerce are all intertwined.

The Supervision Department within the DAB is newly formed as of the end of 2003, and is broken into four divisions: Licensing, General Supervision (which includes on-site and off-site supervision), Special Supervision (which deals with special cases of enforcement and liquidation), and Regulation. The Department remains poorly staffed and struggles to find the appropriate talent. The Department is charged with administering the AML and CFT legislation, conducting audits, licensing new institutions, overseeing money exchange and money services businesses, and liaising with the commercial banking sector generally.

Afghanistan is dominated by the hawala system, which provides a range of financial and non-financial business services in local, regional, and international markets. Financial activities include money exchange transactions, funds transfers, micro and trade finance, as well as deposit-taking activities. While the hawala network may not provide financial intermediation services in the strict technical use of the term in the formal banking system, i.e., deposit-taking for lending purposes based on the assessment, underwriting, and pricing of risk(s), its robust and widespread use throughout Afghanistan should not be overlooked—given the extent of the service offering, extremely low cost, and greater efficiency than most formal systems world-wide.

In April 2004, Afghanistan issued new regulations for the licensing of money exchange dealers and hawaladars, and required them to submit quarterly transaction reports. Regulations differ for money exchange dealers vs. money services businesses, with more stringent requirements placed on the latter. New regulations also require Money Service Businesses to take appropriate measures to prevent money laundering and terrorist financing, including the submission of suspicious transaction reports to

the FIU. DAB branch managers have been trained on re-licensing, but to date, only one entity-Western Union-has received a license. The DAB is phasing in this process, and has little communication with the exchange dealers themselves, many of whom see the new regulations as overly strict, requiring burdensome capital requirements and fees for agents in each province. The DAB is struggling with administering the new requirements, and lacks the support of enforcement authorities from the Ministry Interior, among others.

There are a little over 300 known exchange dealers in Kabul, with 100-300 additional dealers in each province. These dealers are organized into unions in each province, and maintain a number of agent-principle and partner relationships with other dealers throughout the country and internationally. Contrary to some understanding, their record keeping and accounting activities are quite robust, extremely efficient, and take note of: currencies traded, international pricing, deposit balances, debits and credits with other dealers, lending, cash on hand, etc.

Border security continues to be a major issue throughout Afghanistan. At present there are 21 gateways that have come under federal control, utilizing international donor assistance as well as local and international forces. However much of the border areas continue to be un-policed and therefore susceptible to illicit cross-border trafficking and trade-based money laundering. Many regional warlords also continue to control the international borders in their provincial areas, causing major security risks. Customs authorities, with the help of outside assistance, have made significant strides, but much work remains to be done. Customs collection has also dramatically improved, but there continues to be significant leakage and corruption, as well as trade-based fraud, including false and under-invoicing. Thorough cargo inspections are currently not conducted at any gateway.

Under the Law on Combating the Financing of Terrorism, any nonprofit organization that wishes to collect, receive, grant, or transfer funds and property must be entered in the registry with the Ministry of Auqaf (Islamic Affairs). All non-profit organizations are subject to a due diligence process which includes an assessment of accounting, record keeping, and other activities. However, the capacity for the Ministry to conduct such examinations is near non-existent, and the reality is that any organization applying for registration is granted one. Furthermore, because no adequate enforcement authority exists, many organizations operating under a “tax-exempt” non-profit status in Afghanistan go completely unregistered, and nefarious activities are suspected of a number of organizations.

While the Government of Afghanistan has made significant strides in strengthening overall AML/CFT efforts, much work remains: empowering the informal hawala system through effective regulation; enabling bank and non-bank financial institutions to produce adequate financial intelligence; developing an FIU; bolstering financial investigative capabilities; and, training prosecutors and judges on money laundering and other financial crimes. These efforts must be conducted in tandem, while at the same time combating the overwhelming narcotics trade. A concerted effort on the part of donor states and Afghan authorities would empower rural farmers through effective alternative livelihoods programs, by dismantling the logistical and financial infrastructure that facilitates the opium economy generally.

Albania

As a transit country for trafficking in narcotics, arms, contraband, and humans, Albania remains at significant risk for money laundering. Major sources of criminal proceeds are drug-related crimes, robberies, customs offenses, exploitation of prostitution, trafficking in weapons and automobiles and theft through abuse of office. Tax crime and fraud appear relatively often, as well. Organized crime groups use Albania as a base of operations for conducting criminal activities in other countries, sending large sums of illegitimately earned money back to Albania. The proceeds from these activities are easily laundered in Albania because of weak government controls. Money laundering is believed to be occurring through the investment of tainted money in real estate and business development

projects. Customs controls on large cash transfers are not believed to be effective, due to lack of resources and corruption of Customs officials.

Albania's economy is primarily cash-based. Approximately 80 percent of all economic transactions are still carried out in cash, thereby making it difficult for the police to conduct money laundering investigations. Electronic and ATM transactions are relatively low, but are growing rapidly as more banks introduce this technology. According to the Bank of Albania, the Central Bank, 26 percent of the money in circulation is outside of the banking system, compared to an average of 10 percent in other Central and Eastern European transitioning economies. Until 2004, the Government of Albania (GOA) paid its own civil servants in cash, but a growing number of institutions are using electronic pay systems. All Central Government institutions are now required to convert to electronic pay systems by the end of 2005.

There are 16 banks, but only seven of them are considered to be major players in the system. In late 2003 the Bank of Albania held a roundtable discussion with the Bankers' Association and the Ministry of Finance and Economy, to determine the best way to promote the use of the banking system, and to lure people away from cash circulation.

Albania criminalized all forms of money laundering through Article 287 of the Albanian Criminal Code of 1995 and Law No. 8610 "On the Prevention of Money Laundering" passed in 2000. The laws set forth an "all crimes" definition for the offense of money laundering. However, an issue of concern is the fact that the Albanian court system requires a prior or simultaneous conviction for the predicate crime before an indictment for money laundering can be issued. Albanian law also has no specific laws pertaining to corporate criminal liability. Officials, however state that legal entities can be punished for money laundering under Article 45 of the Criminal Code as well as under Article 14 of Law No. 8610.

In June 2003, Parliament approved Law No. 9084, which strengthened the old Law No. 8610, as well as improving the Criminal Code and the Criminal Procedure Code. The new law redefines the legal concept of money laundering, harmonizing the Albanian definition with that of the European Union (EU) and bringing it into line with EU and international conventions. Under the revised Criminal Code many powers were expanded and improved upon. The definition of money laundering was revised, the establishment of anonymous accounts was outlawed, and the confiscation of accounts was permitted. Currently, no law criminalizes negligence by financial institutions in money laundering cases.

Law No. 8610 requires financial institutions to report all cross-border transactions that exceed approximately \$10,000, as well as those that involve suspicious activity. Financial institutions are required to report transactions within 48 hours if the origin of the money cannot be determined. In addition, private and state entities are required to report all financial transactions that exceed certain thresholds. Financial institutions have no legal obligation to identify customers prior to opening an account. Although, in practice, all banks have internal rules mandating customer identification, Law No. 8610 only requires customer identification prior to conducting transactions exceeding 2 million Albanian leke (approximately \$20,000) or when there is a suspicion of money laundering. Law 9084 mandates identification of beneficial owners. The Bank of Albania has established a task force to confirm banks' compliance with customer verification rules.

Banking groups initially objected to implementation of some aspects of the law, especially with regard to what they see as onerous reporting requirements. Originally, financial institutions were required to complete a 61-question form for all transactions, including bank-to-bank transfers, exceeding \$200,000. Subsequent modifications to the form, however, have somewhat reduced this reporting burden. In addition, financial institutions that submit reports are required to do so within 72 hours.

Money Laundering and Financial Crimes

Banks, bureaux de change, casinos, tax and customs authorities, accountants, postal services, insurance companies, and travel agencies are obligated entities for threshold reporting.

Law No. 8610 also mandates the establishment of an agency to coordinate the GOA's efforts to detect and prevent money laundering. The Agency for Coordinating the Combat of Money Laundering (ACCML) is Albania's Financial Intelligence Unit (FIU). The ACCML falls under the control of the Ministry of Finance and evaluates reports filed by financial institutions. If the agency suspects that a transaction involves the proceeds of criminal activity, it must forward the information to the prosecutor's office. In 2004, ACCML received 58 reports, seven of which were forwarded to the prosecutor's office for further action.

Law 9084 clarifies and improves the role of the ACCML and increases its responsibility. It has been given additional status by its designation as the national center for the fight against money laundering. Also, the duties and responsibilities for the FIU are better specified. The law also establishes a legal basis for increased cooperation between the ACCML and the General Prosecutor's Office, while creating an FIU oversight mechanism to ensure it fulfills, but does not exceed, its responsibilities and authority. Previously, coordination against money laundering and terrorist financing among agencies was sporadic.

There have been seven prosecutions initiated under the new Law No. 9084. In the two years preceding that law, there were seven prosecutions brought under the old law. Of these fourteen prosecutions, ten are pending in the courts and four have yet to be brought to trial. Given the high number of drug-trafficking and fraud-related cases in Albania, the number of money laundering prosecutions is still relatively low. This is largely due to the fact that the Albanian police force still does not have a central database, and investigators lack much-needed training in modern financial investigation techniques.

Through Law 9084, the Code of Criminal Procedure vastly improves the Albanian confiscation regime. Prior to 2004, Albanian law did not allow for asset forfeiture without a court decision. In 2004, Albania passed legislation that made the freezing and seizure of assets much easier. First, Albania passed a comprehensive antimafia law, Law No. 9284, which contains strong asset seizure and forfeiture provisions, subjecting to seizure the assets of suspected persons and their families and close associates. The law also places on the defendant the burden to prove a legitimate source of funding for seized assets. In the past three years the GOA has seized \$3.34 million in liquid criminal and terrorist assets, and about \$2.5 million in real estate (\$1 million in 2004), although some estimates of value are much higher. These seizures were mostly related to actions against terrorist financiers. In 2004, approximately \$2.5 million in cash related to both criminal and terrorist activities was seized.

Law 9084 criminalizes the financing of terrorism, mandating strong penalties for any actions or organizations linked with terrorism. Until 2004, the GOA used its anti-money laundering law to freeze the assets of individuals and organizations on the UN Security Council lists of designated terrorists or terrorist entities. In 2004, Law No. 9258, "On Measures Against Terrorist Financing," was enacted, permitting the GOA to administratively seize assets of any terrorist designated pursuant to Security Council resolutions, as well as pursuant to certain bilateral or multilateral requests. The Ministry of Finance has already implemented this law.

Although the GOA has not passed specific legislation addressing alternative remittance systems or charitable organizations, officials state that such informal transactions are covered under recent laws. The Ministry of Finance has explored additional legislation that would include such oversight, but has not yet proposed amendments. The GOA has aggressively acted against suspected charitable organizations, resulting in their removal from the country.

The ACCML has the ability to enter into bilateral or multilateral information sharing agreements on its own authority and continues to cooperate with its counterparts, signing memoranda of understanding

(MOUs) with Slovenia and Bulgaria, and participating in exchanges for training purposes. The GOA has also agreed to fight corruption jointly with Italy.

Albania is a party to the Council of Europe Convention on Laundering, Search, Seizure, and Confiscation of the Proceeds of Crime. The GOA is also a party to the 1988 UN Drug Convention, the UN International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Transnational Organized Crime. In December 2003, Albania signed the UN Convention against Corruption. Albania is a member of the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL) and participates in the Southeastern Europe Cooperative Initiative (SECI). The ACCML became a member of the Egmont Group in July 2003.

The Government of Albania has taken important steps to enhance its anti-money laundering/counterterrorist financing regime, however, additional improvements can still be made. Albania should incorporate into its anti-money laundering legislation specific provisions regarding corporate criminal liability, customer identification procedures and the adequate oversight of money remitters and charities. Albania should also amend its laws to allow authorities to obtain an indictment for money laundering without a prior conviction of a predicate offense. A central police database should be created in order to assist law enforcement in the investigation of financial crimes. Training in advanced financial investigation techniques should be provided to police investigators.

Algeria

Algeria is not a regional financial center or an offshore financial center. The extent of money laundering through formal financial institutions is thought to be minimal due to stringent exchange control regulations and an antiquated banking sector. On April 7, 2002 the Government of Algeria adopted Executive Order 02-127, which established the Cellule du Traitement du Renseignement Financier (CTRF), an independent Financial Intelligence Unit (FIU) within the Ministry of Finance.

Articles 104 to 110 of the Finance Law of 2003 require financial institutions to report all suspicious activities to the CTRF. All financial institutions are obligated to comply with requests from the CTRF or face criminal penalties. The Executive Order also allows assets to be frozen for up to 72 hours on the basis of suspicious activity. Information collected by the CTRF is governed under the laws protecting professional privacy. State protection is provided for both officials and informants. The partial convertibility of the Algerian dinar enables the Central Bank to monitor all international financial operations carried out by public or private banking institutions. Individuals entering Algeria must declare all foreign currency to the customs authority.

In 2004, Algeria introduced a draft law titled "Law for the Prevention and the Fight Against Money Laundering and Terrorism Financing." This legislation was approved by the administration's Council of Ministers and was in the process of being reviewed by the National Assembly at the end of 2004. The National Assembly and Senate enacted the legislation on January 5, 2005. The new law seeks to bring Algerian law into conformity with international standards and conventions. Reportedly, it covers the prevention and detection of money laundering and terrorism financing, institutional and judicial international cooperation, and penal provisions.

According to the new legislation, banks and financial institutions are required to know, record and report the identity of customers and the origin and destination of funds. These institutions must maintain confidential reports of suspicious transactions. Banks must maintain customer records for at least 5 years after the date of the last transaction. Significant authority is given to a banking commission operating under the authority of the Bank of Algeria (the central bank) to supervise banks and financial institutions and to inform the CTRF of suspicious or complex transactions.

Money Laundering and Financial Crimes

Bank and professional secrecy rules do not apply to the bank commission, judicial authorities and the CTRF. Under the proposed legislation, the permitted 72-hour period for freezing assets on the basis of suspicious activity can be extended only with judicial authorization.

Money laundering controls in previous laws have applied to “intermediary,” non-banking financial institutions. Once implemented, the new legislation will extend money laundering controls to apply to specific, non-banking financial professions, including lawyers, accountants, stockbroker and precious metal dealers.

The Ministry of Justice is expected to create a pool of judges who are expert in financial matters. Algeria plans to establish a coordinating committee involving the Ministry of Justice, the Ministry of Finance, and the local police to fight against financial crimes.

Algeria criminalized terrorist financing by adopting Ordinance 95.11 on February 24, 1994, making the financing of terrorism punishable by 5-10 years of imprisonment.

Algeria is a party to both the 1988 UN Drug Convention and the UN International Convention for the Suppression of the Financing of Terrorism. On October 7, 2002 Algeria became a party to the UN Convention against Transnational Organized Crime, which entered into force in September 2003. Algeria became a member of the nascent Middle East and North Africa Financial Action Task Force in November 2004.

Algeria should develop implementing regulations for the new money laundering law and create the appropriate commissions and committees necessary for its successful implementation.

Andorra

Andorra is a very small country with just six banks. However, due to its geographical location in the Pyrenees, its relatively strong financial system, and the free movement of money across its frontiers, Andorra is an attractive destination for those seeking to undertake money laundering operations.

Predicate offenses for money laundering are defined in the Criminal Code and include drug-trafficking, hostage taking, sales of illegal arms, prostitution, and terrorism. Andorra complies with the FATF 40 Recommendations plus the Special Recommendations on Terrorist Financing. Andorra substantially revised its anti-money laundering regime in December 2000 with the passage of its Law on International Criminal Co-operation and the Fight against the Laundering of Money and Securities Deriving from International Delinquency (December 2000 Act). Essentially, this law imposes reporting obligations upon Andorran financial institutions, insurance and re-insurance companies, and natural persons or entities whose professions or business activities involve the movement of money or securities that may be susceptible to laundering. It specifically covers external accountants and tax advisors, real estate agents, notaries, and other legal professionals when they are acting in certain professional capacities, as well as casinos and dealers in precious stones and metals. Reports of suspicious transactions (STRs) are made to the Unit for the Prevention of Laundering Operations (UPB), Andorra’s financial intelligence unit (FIU). Article 49 of the December 2000 Act contains a tipping off prohibition, and Article 50 provides a safe harbor, so that individuals or entities who report suspicious activities or transactions under this law are not liable for violations of any other secrecy or confidentiality statutes.

A decree to establish specific regulations to cover all administrative aspects of the December 2000 Act was approved in August 2002. The decree requires retail establishments to notify the government of any transactions for gems and jewelry where the payment made in cash is greater than 15,000 euros. The law also requires banks to notify the FIU of any currency exchanges where the amount is over 1,250 euros.

Customer identification, including identification of the beneficial owner, is required at the time a business relationship is established and before any applicable transaction. Records verifying identity must be kept for a period of at least ten years from the date when the business relationship ends.

In 2003, Andorra set up a legislative commission that reviewed the Criminal Code and anti-money laundering laws. The explicit criminalization of terrorism financing was included in this review, as were general modifications to hone the banking sector regulations. The Parliament is currently working on changes to the Criminal Code. The new Loi de l'INAF (Institut Nacional Andorrà de Finances) was passed by the Parliament on October 23, 2003, and became effective on November 27, 2003. INAF, which replaced the old Commission Supérieure de Finances (CSF), is a totally independent monitoring body, responsible for monitoring and supervision of the financial system, management of public debt, carrying out field inspections, and taking disciplinary action.

The UPB was established in 2001. UPB, with a staff of five, is an administrative unit with no law enforcement powers of its own. UPB acts in a supervisory role, and provides education regarding compliance and money laundering prevention to financial services providers. In 2003 UPB inspected the two main banks in Andorra, and was instrumental in coordinating outreach. Also in 2003, UPB organized a training program for notaries and lawyers in conjunction with Spain's SEPBLAC, and, with the Andorra Banking Association, held training seminars for banks and police. UPB also organized joint training with KPMG for 180 gatekeepers. UPB works closely with the banking community and provides training in recognizing questionable transactions; as a result, banks have become more cooperative with UPB as well. The most recent figures available reflect that in 2003, UPB received 34 STRs.

In 2003, Andorra was able to obtain its first money laundering conviction as well as its first asset confiscation. On February 26, 2003, three Spaniards were convicted for a major money laundering offense in connection with drug-trafficking in Spain. Two of the convicted received five years' imprisonment and a fine of 150,000 euros, and the third received three years' imprisonment and a 50,000 euros penalty. Andorra also invoked provisional measures, freezing three bank accounts totaling 20 million euros and another bank account of 1.3 million euros, and seizing an additional bank account along with a building. In July 2004, the Spanish and the Andorran police uncovered a drug trafficking network involving more than 20 people, the majority of them Spanish nationals. Drugs were seized in Spain and Andorra's UPB froze a 14 million Euro bank account held in Andorra. The case is still under investigation.

The police work closely with the FIU, and the law authorizes the use of telephone taps and undercover officers in money laundering investigations. The UPB can freeze assets administratively for five days without a judicial order. If the assets need to be held for a longer period, the UPB can seek a judicial order, which normally occurs within the five-day period the UPB is authorized to hold the accounts. Judicial freeze orders can be effective for an indefinite period of time.

The entirety of Title I of the December 2000 Act pertains to the organization of international judicial assistance, generally easing previous restrictions that had applied when a foreign authority requested information protected by Andorran bank secrecy. Information may be furnished in response to requests otherwise conforming to Andorran law.

UPB is the agency that would deal with terrorism financing, but the crimes it has detected run toward drug-trafficking and fraud, rather than to terrorism financing. To date it has not dealt with any cases involving terrorism.

Andorra has signed, but not yet ratified, the UN International Convention on the Suppression of the Financing of Terrorism and the UN Convention against Transnational Organized Crime. Andorra has signed but not yet ratified the European Convention on Mutual Legal Assistance. Andorra is a party to

the 1988 UN Drug Convention and the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime.

Although not a member of the European Union, Andorra has very close cultural and geographic ties to Spain and France. The UPB works closely with its Spanish and French counterparts and has signed cooperation agreements with these jurisdictions as well as with Belgium. In fact, Andorra does not have a requirement for cross-border currency declarations, because with Spain's threshold at 8,000 euros and France's at 6,000 euros, it would be impossible to enforce. The UPB is a member of the Egmont Group. In addition, Andorra is a strong participant in the Council of Europe's MONEYVAL Committee, and underwent that organization's second round mutual evaluation in 2003. Despite its progress and cooperation concerning money laundering, the OECD continues to cite Andorra as a "tax haven" due to its low or nonexistent taxes, and maintains that Andorra still needs to make its banking system more transparent.

Andorra should continue to enhance its anti-money laundering regime by broadening its definition of money laundering to expand the list of predicate offenses. Andorra should enact and fully implement the changes to the Criminal Code it is considering, including a provision to criminalize terrorist financing.

Angola

Angola is not a regional or offshore financial center and has not prosecuted any known cases of money laundering. The laundering of funds derived from high-level corruption is a concern, as is the poorly controlled trade in diamonds and the potential use of diamonds as a vehicle for money laundering. It is possible that links exist between the informal diamond trade and international criminal organizations. Angola is participating in the "Kimberley Process," an international certification scheme designed to halt trade in "conflict" diamonds in countries such as Angola through domestically implemented national rough diamond trade control regimes. Angola has already implemented a domestic system in accordance with the Kimberley Process.

Angola currently has no comprehensive laws, regulations, or other procedures to detect money laundering and financial crime, although some such crimes are addressed through other provisions of the criminal code. For example, Angola's counternarcotics laws criminalize money laundering related to narcotics-trafficking. There is a draft law to reform the banking sector that contains provisions against money laundering that are consistent with international standards. The Government of Angola expects the law to pass in early 2005. The Central Bank of Angola has the authority to freeze assets, but Angola does not presently have an effective system for identifying, tracing, or seizing assets.

Angola is party to the 1988 UN Drug Convention. Angola has signed but not yet ratified the UN Convention against Transnational Organized Crime. Angola has not signed the UN International Convention for the Suppression of the Financing of Terrorism. It has ratified the African Union Anti-Terrorist, Anti-Mercenary, and Money-Laundering Accord.

Angola should pass its pending legislation and criminalize money laundering (beyond drug offenses) and terrorist financing. It should establish a financial intelligence unit. It should then move to implement the legislation. It should become a party to both the UN Convention against Transnational Organized Crime and the UN International Convention for the Suppression of the Financing of Terrorism. It should enhance controls over the diamond trade and increase its efforts to combat official corruption.

Anguilla

Anguilla is a United Kingdom (UK) overseas territory with a population of approximately 12,871. The economy depends greatly on its growing offshore financial sector and tourism. The financial sector is small in comparison to other jurisdictions in the Caribbean, but the ability to register companies online and the use of bearer shares make Anguilla vulnerable to money laundering.

Anguilla has four domestic banks, two of which also conduct offshore banking. The Eastern Caribbean Central Bank (ECCB) supervises the four domestic banks. The ECCB completed on-site anti-money laundering inspections during 2002 at three domestic banks. The fourth bank's on-site inspection is scheduled for early 2005. Two domestic banks have licenses to conduct offshore banking. The ECCB signed a memorandum of understanding with the Governor of Anguilla to regulate the offshore activities of these two domestic banks. Under the Trust Companies and Offshore Banking Act the Governor has the authority to revoke or suspend an offshore bank license for non-compliance.

As of 2003, the offshore sector also includes approximately 3,041 international business companies (IBCs), 128 limited liability companies, seven limited partnerships, 1,466 ordinary companies, 29 licensed company managers, and 12 trust companies. There is one entity operating in securities and one unit trust operating under a trust license. The Anguilla Commercial Online Registration Network (ACORN) enables instant electronic incorporation and registration of companies and trusts. Operational since November 1998, ACORN is available 24 hours a day and accessible in various languages. The Financial Services Department, which is part of the Ministry of Finance, conducts due diligence of ACORN on behalf of the Registrar of Companies. IBCs may be registered using bearer shares that conceal the identity of the beneficial owner of these entities. It was reported in 2003 that legislation was being drafted to immobilize bearer shares; however, no updated information on this draft legislation has been provided.

In November 2003, the Financial Services Commission Act was passed. The Act creates the Financial Services Commission (FSC) as an autonomous regulatory agency that assumed most of the Financial Services Department supervisory authority. The FSC became operational February 2, 2004. The board consists of a director, deputy director, junior regulator, and an office manager. The Act empowers the FSC to approve the appointment of compliance officers of licensees, conduct compliance inspections, monitor activity within the financial sector, and undertake enforcement actions against persons involved in unlawful activity.

The Act also empowers the FSC to "monitor compliance by regulated persons with the Anti-Money Laundering Regulations of 2000 and such other Acts, Regulations, Guidelines, or Codes relating to money laundering or the financing of terrorism as may be prescribed." Anguilla has approximately 20 registered insurance companies. Under the new Insurance Act enacted in 2004, the FSC supervises all insurance intermediaries.

A National Committee on Drugs and Money Laundering was formed to act as the catalyst for Anguilla's anti-money laundering/counterterrorist financing efforts. This Committee proposed Customs Declaration Forms to detect and monitor cross-border transportation of cash or bearer instruments in excess of U.S. \$10,000. The proposal is currently before the Comptroller of Customs.

The Proceeds of Criminal Conduct Act (PCCA) of 2000 extends the predicate offenses for money laundering to all indictable offenses, and allows for the forfeiture of criminally derived proceeds. The Act provides for suspicious activity reporting and a safe harbor for this reporting. In July 2000, the Money Laundering Reporting Authority Act came into force, and amended the Drugs Trafficking Offenses Ordinance of 1988. The Act requires persons involved in the provision of financial services to report any suspicious transactions derived from drugs or criminal conduct, and establishes requirements for customer identification, record keeping, reporting, and training procedures. The Act establishes the Money Laundering Reporting Authority (MLRA) as Anguilla's Financial Intelligence

