United States Department of State

Bureau for International Narcotics and Law Enforcement Affairs

International Narcotics Control Strategy Report

Volume II

Money Laundering and Financial Crimes

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Common Abbreviations

AML	Anti-Money Laundering
APG	Asia/Pacific Group on Money Laundering
ARS	Alternative Remittance System
BCS	Bulk Cash Smuggling
CFATF	Caribbean Financial Action Task Force
CTF	Counterterrorist Financing
CTR	Currency Transaction Report
DEA	Drug Enforcement Administration
DHS	Department of Homeland Security
DOJ	Department of Justice
DOS	Department of State
EAG	Eurasian Group to Combat Money Laundering and Terrorist Financing
EC	European Commission
ECOWAS	Economic Community of West African States
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
EU	European Union
FATF	Financial Action Task Force
FBI	Federal Bureau of Investigation
FinCEN	Financial Crimes Enforcement Network
FIU	Financial Intelligence Unit
FSRB	FATF-Style Regional Body
GAFISUD	Financial Action Task Force on Money Laundering in South America
GIABA	Inter-Governmental Action Group against Money Laundering
IBC	International Business Company
ICE	U.S. Immigration and Customs Enforcement
IFI	International Financial Institution
IMF	International Monetary Fund
INCSR	International Narcotics Control Strategy Report
INL	Bureau for International Narcotics and Law Enforcement Affairs
IRS	Internal Revenue Service
IRS-CID	Internal Revenue Service, Criminal Investigative Division
IVTS	Informal Value Transfer System
MENAFATF	Middle East and North Africa Financial Action Task Force
MLAT	Mutual Legal Assistance Treaty
MONEYVAL	Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
MOU	Memorandum of Understanding
NCCT	Non-Cooperative Countries or Territories
NGO	Non-Governmental Organization
NPO	Non-Profit Organization
OAS	Organization of American States
OAS/CICAD	OAS Inter-American Drug Abuse Control Commission
OFAC	Office of Foreign Assets Control

Common Abbreviations (Continued)

OFC	Offshore Financial Center
OPDAT	Office of Overseas Prosecutorial Development, Assistance and Training
OTA	Office of Technical Assistance
SAR	Suspicious Activity Report
STR	Suspicious Transaction Report
TBML	Trade-Based Money Laundering
TTU	Trade Transparency Unit
UNCAC	United Nations Convention against Corruption
UN Drug Convention	1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances
UNGPML	United Nations Global Programme against Money Laundering
UNODC	United Nations Office for Drug Control and Crime Prevention
UNSCR	United Nations Security Council Resolution
UNTOC	United Nations Convention against Transnational Organized Crime
USAID	Agency for International Development
USG	United States Government

MONEY LAUNDERING AND FINANCIAL CRIMES

Legislative Basis for the INCSR

The Money Laundering and Financial Crimes section of the Department of State's International Narcotics Control Strategy Report (INCSR) has been prepared in accordance with section 489 of the Foreign Assistance Act of 1961, as amended (the "FAA," 22 U.S.C. § 2291). The 2010 INCSR is the 27th annual report prepared pursuant to the FAA.[1]

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

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

In attempting to evaluate whether countries and certain entities are meeting the goals and objectives of the 1988 UN Drug Convention, the Department has used the best information it has available. The 2010 INCSR covers countries that range from major drug producing and drug-transit countries, where drug control is a critical element of national policy, to small countries or entities where drug issues or the capacity to deal with them are minimal. In addition to identifying countries as major sources of precursor chemicals used in the production of illicit narcotics, the INCSR is mandated to identify major money laundering countries (FAA §489(a)(3)(C)). The INCSR is also required to report findings on each country's adoption of laws and regulations to prevent narcotics-related money laundering (FAA §489(a) (7) (C)). This report is the section of the INCSR that reports on money laundering and financial crimes.

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

[1] The 2010 report on Money Laundering and Financial Crimes is a legislatively mandated section of the U.S. Department of State's annual International Narcotics Control Strategy Report. This 2010 report on Money Laundering and Financial Crimes is based upon the contributions of numerous U.S. Government agencies and international sources. A principal contributor is the U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN), which, as a member of the international Egmont Group of Financial Intelligence Units, has unique strategic and tactical perspective on international anti-money laundering developments. FinCEN is the primary contributor to the individual country reports. Another key contributor is the U.S. Department of Justice's Asset Forfeiture and Money Laundering Section (AFMLS) of Justice's Criminal Division, which plays a central role in constructing the Money Laundering and Financial Crimes Comparative Table and provides international training. Many other agencies also provided information on international training as well as technical and other assistance, including the following: Department of Homeland Security's Bureau of Immigration and Customs Enforcement; Department of Justice's Drug Enforcement Administration, Federal Bureau of Investigation, and Office for Overseas Prosecutorial Development Assistance; and Treasury's Internal Revenue Service, the Office of the Comptroller of the Currency, and the Office of Technical Assistance. Also providing information on training and technical assistance are the independent regulatory agencies, Federal Deposit Insurance Corporation, and the Federal Reserve Board.

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 2009:

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

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

Introduction

The *2010 International Narcotics Control Strategy Report, Money Laundering and Financial Crimes,* highlights the most significant steps countries and jurisdictions categorized as "Major Money Laundering Countries" have taken to improve their anti-money laundering/counter-terrorist financing (AML/CFT) regimes. The report provides a snapshot of the AML/CFT legal infrastructure of each country or jurisdiction and its capacity to share information and cooperate in international investigations. For the first time, for each country where they have been completed, the write-up also provides a link to the most recent mutual evaluation performed by or on behalf of the Financial Action Task Force (FATF) or the FATF-style regional body to which the country or jurisdiction belongs. Relevant country reports also provide links to the Department of State's "Country Reports on Terrorism" so the reader can learn more about issues specific to terrorism and terrorism financing. Providing these links will allow those interested readers to find detailed information on the country's AML/CFT capacity and the effectiveness of its programs.

In addition, the report contains details of United States Government efforts to provide technical assistance and training as well as information on the multilateral organizations we support, either monetarily and/or through participation in their programs. In 2009, USG personnel leveraged their expertise to share their experience and knowledge with over 100 countries. They worked independently and with other donor countries and organizations to provide training programs, mentoring and support for supervisory, law enforcement, prosecutorial, customs and financial intelligence unit personnel as well as private sector entities. We expect these efforts, over time, will build capacity in jurisdictions that are lacking, strengthen the overall level of global compliance with international standards and contribute to an increase in prosecutions and convictions of those who launder money or finance terrorists or terrorist acts.

Money laundering continues to be a serious global threat. Jurisdictions flooded with illicit funds are vulnerable to the breakdown of the rule of law, the corruption of public officials and destabilization of their economies. The development of new technologies and the possibility of linkages between illegal activities that generate considerable proceeds and the funding of terrorist groups only exacerbate the challenges faced by the financial, law enforcement, supervisory, legal and intelligence communities. The continued development of AML/CFT regimes to deter criminal activity and detect illicit proceeds is reflected in this report again this year. As noted in previous reports, political stability, democracy and free markets depend on solvent, stable, and honest financial, commercial, and trade systems. The

Department of State's Bureau of International Narcotics and Law Enforcement Affairs looks forward to continuing to work with our U.S. and international partners in furthering this important work and strengthening capacities globally to combat money laundering and the funding of terrorists and terrorism.

Bilateral Activities

Training and Technical Assistance

During 2009, a number of U.S. law enforcement and regulatory agencies provided training and technical assistance on money laundering countermeasures and financial investigations to their counterparts around the globe. These courses have been designed to give financial investigators, bank regulators, and prosecutors the necessary tools to recognize, investigate, and prosecute money laundering, financial crimes, terrorist financing, and related criminal activity. Courses have been provided in the United States as well as in the jurisdictions where the programs are targeted.

Department of State

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

INL and the State Department's Office of the Coordinator for Counterterrorism (S/CT) co-chair the interagency Terrorist Finance Working Group (TFWG), and together are implementing a multi-million dollar training and technical assistance program designed to develop or enhance the capacity of a selected group of more than two dozen countries whose financial sectors have been used, or are vulnerable to being used, to finance terrorism. As is the case with the more than 100 other countries to which INL-funded training was delivered in 2009, the capacity to thwart the funding of terrorism is dependent on the development of a robust anti-money laundering regime. Supported by and in coordination with the U.S. Department of State, U.S. Department of Justice (DOJ), U.S. Department of Homeland Security (DHS), U.S. Department of the Treasury, the Federal Deposit Insurance Corporation, and various nongovernmental organizations, the TFWG provided in 2009 a variety of law enforcement, regulatory and criminal justice programs worldwide. This integrated approach includes assistance with the drafting of legislation and regulations that comport with international standards, the training of law enforcement, the judiciary and bank regulators, as well as the development of financial intelligence units (FIUs) capable of collecting, analyzing, and disseminating financial information to foreign analogs. Courses and training have been provided in the United States as well as in the jurisdictions where the programs are targeted.

Nearly every federal law enforcement agency assisted in this effort by providing basic and advanced training courses in all aspects of financial criminal investigation. Likewise, bank regulatory agencies participated in providing advanced AML/CFT training to supervisory entities. In addition, INL made funds available for the intermittent or full-time posting of legal and financial mentors at selected overseas

locations. These advisors work directly with host governments to assist in the creation, implementation, and enforcement of anti-money laundering and financial crime legislation. INL also provided several federal agencies funding to conduct multi-agency financial crime training assessments and develop specialized training in specific jurisdictions to combat money laundering.

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

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

INL also provided support to the UN Global Program against Money Laundering (GPML) in 2009. In addition to sponsoring money laundering conferences and providing short-term training courses, GPML instituted its mentoring program to provide advisors on a year-long basis to specific countries or regions. GPML mentors provided assistance to Horn of Africa countries targeted by the U.S. East Africa Counterterrorism Initiative as well as country-specific assistance to the Philippines FIU and asset forfeiture assistance to Namibia, Botswana, and Zambia. The resident mentor based in Namibia initiated and monitored the Prosecutor Placement Program, an initiative aimed at placing prosecutors from the region for a certain period of time within the asset forfeiture unit of South Africa's national prosecuting authority. The GPML mentors in Central Asia and the Mekong Delta continued assisting the countries in those regions to develop viable AML/CFT regimes. GPML continues to develop interactive computer-based programs for distribution, translated into several languages.

INL continues to provide significant financial support for many of the anti-money laundering bodies around the globe. During 2009, INL supported FATF, the international AML/CFT standard setting organization. In addition to sharing mandatory membership dues to FATF and the Asia/Pacific Group on Money Laundering (APG) with the U.S. Department of the Treasury and DOJ, INL is a financial supporter of FATF-style regional bodies (FSRBs) secretariats and training programs, including the Council of Europe's MONEYVAL, the Caribbean Financial Action Task Force (CFATF), the Intergovernmental Action Group against Money-Laundering in West Africa (GIABA), the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) and the South American Financial Action Task Force (GAFISUD). In addition to providing funding to GPML to place a residential mentor in Dakar, Senegal, to assist those member states of GIABA that have enacted the necessary legislation to develop FIUs, INL worked with the mentor to determine priorities and develop opportunities and programs. INL also financially supported the Organization of American States (OAS) Inter-American Drug Abuse Control Commission (CICAD) Experts Group to Control Money Laundering and the OAS Counter-Terrorism Committee.

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

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

International Law Enforcement Academies (ILEAs)

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

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

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

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

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

capacity to work with U.S. and regional officials to combat international criminal activities. These courses concentrate on specific methods and techniques in a variety of subjects, such as counter-terrorism, anti-corruption, financial crimes, border security, drug enforcement, firearms and many others. Instruction is provided to participants from Angola, Botswana, Burundi, Cameroon, Comoros, Djibouti, Ethiopia, Gabon, Ghana, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Republic of Congo, Rwanda, Senegal, Seychelles, Sierra Leone, South Africa, Swaziland, Tanzania, Uganda and Zambia. Trainers from the United States and Botswana provide instruction. Gaborone has offered specialized courses on money laundering/terrorist financing-related topics such as Criminal Investigation and International Banking & Money Laundering Program. ILEA Gaborone trains approximately 500 students annually.

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

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

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

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

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

Board of Governors of the Federal Reserve System (FRB)

The FRB conducted training and provided technical assistance to bank supervisors and law enforcement officials in AML and counter-terrorist financing (CTF) tactics in partnership with regional supervisory groups or multilateral institutions. Countries participating in these FRB initiatives in 2009 were Armenia, Bangladesh, Bhutan, Bolivia, Brazil, Peoples Republic of China, Croatia, Czech Republic, Ghana, Hong Kong SAR, India, Indonesia, Japan, Kazakhstan, Korea, Kuwait, Lebanon, Lithuania, Macau SAR, Malaysia, Mexico, Moldova, Nigeria, Paraguay, Philippines, Portugal, Russia, Taiwan, Turkey, Ukraine, Vietnam, and Zambia.

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

The FRB presented training courses on 'International Money Movement' to domestic law enforcement agencies, including the Department of Homeland Security's Bureau for Immigration and Customs Enforcement, as well as at the Federal Law Enforcement Training Center.

Federal Bureau of Investigation (FBI), Department of Justice

During 2009, with the assistance of Department of State (DOS) funding, the U.S. Federal Bureau of Investigation (FBI) continued its extensive international training in combating terrorist financing, money laundering, financial fraud and complex financial crimes, as well as training in conducting racketeering enterprise investigations. One such training program is conducted by the FBI's International Training and Assistance Unit (ITAU), located at the FBI Academy in Quantico, Virginia. ITAU coordinates with the Terrorist Financing and Operations Section (TFOS) of the FBI's Counterterrorism Division (CTD), as

well as other divisions at FBI headquarters and in the field, to provide instructors for these international initiatives. FBI instructors, who are most often financial analysts, intelligence analysts, staff operation specialists, operational Special Agents or Supervisory Special Agents, rely on their experience to relate to the international law enforcement students as peers and partners in the training courses.

The FBI regularly conducts training through the International Law Enforcement Academies (ILEA) in Bangkok, Thailand; Budapest, Hungary; Gaborone, Botswana; and San Salvador, El Salvador. In 2009, the FBI delivered training to 235 students from 14 countries at ILEA Budapest. At ILEA Bangkok, the FBI provided training to 60 students from 11 countries in the Supervisory Criminal Investigators Course (SCIC). At ILEA Gaborone, the FBI provided training to 156 students from 15 African countries. At ILEA San Salvador, the FBI provided training to 98 students from 11 countries.

Also in 2009, the FBI conducted, jointly with the Internal Revenue Service, Criminal Investigative Division (IRS-CID), a one-week course on combating money laundering and terrorist financing for 564 international students from Saudi Arabia, South Africa, Pakistan, Indonesia, Kenya, Paraguay, Bahrain, the United Arab Emirates, and Turkey.

At the FBI Academy, the FBI included blocks of instruction on combating money laundering and/or terrorist financing for 37 students participating in Session #12 of the Latin American Law Enforcement Executive Development Seminar; the students were from Argentina, Belize, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Mexico, Nicaragua, Panama, Paraguay, Peru, Spain and Uruguay. The FBI included similar blocks of instruction for 23 students participating in Session #4 of the Arabic Language Law Enforcement Executive Development Seminar; these students were from Bahrain, Egypt, Iraq, Jordan, Kuwait, Libya, Morocco, Palestine, Qatar, Saudi Arabia, Sudan, United Arab Emirates and Yemen. As part of the FBI's Pacific Training Initiative's Session #22, the FBI included terrorist financing instruction for 50 participants from 12 countries: Thailand, China, Australia, Hong Kong, Indonesia, Malaysia, Philippines, India, Korea, Singapore, Japan and United States.

Federal Deposit Insurance Corporation (FDIC)

In 2009, the Federal Deposit Insurance Corporation (FDIC) continued to work in partnership with several Federal agencies and international groups to combat money laundering and inhibit the flow of terrorist funding. These efforts were focused primarily on training and outreach initiatives. In partnership with the U.S. Department of State, the FDIC hosted three anti-money laundering and counter terrorist financing (AML/CFT) training sessions for 59 representatives from Bangladesh, Egypt, Ghana, Indonesia, Jordan, Kuwait, Mali, Nigeria, Pakistan, Saudi Arabia, Thailand, United Arab Emirates, and Yemen. The training sessions addressed the AML examination process, suspicious activity monitoring, customer due diligence, and foreign correspondent banking risks and controls.

During the year, the FDIC met with 30 supervisory and law enforcement representatives from Russia and Kazakhstan to discuss AML issues. Topics included examination policies and procedures, the USA PATRIOT Act, suspicious activity reporting requirements, and government information sharing mechanisms.

Financial Crimes Enforcement Network (FinCEN), Department of Treasury

The Financial Crimes Enforcement Network (FinCEN) is a bureau of the U.S. Department of the Treasury and is the U.S. financial intelligence unit (FIU). Overall, FinCEN hosted representatives from 31 countries in 2009, including general orientations and consultations under the auspices of the U.S. Department of State's International Visitor Leadership Program. These visits involved a variety of

foreign government agencies and focused on topics such as money laundering trends and patterns, the Bank Secrecy Act, the USA PATRIOT ACT, communications systems and databases, and case processing.

FinCEN assists new or developing FIUs that it is co-sponsoring for membership in the Egmont Group of FIUs. The Egmont Group is comprised of FIUs that cooperatively agree to share financial intelligence and has become the standard-setting body for FIUs. FinCEN is currently co-sponsoring FIUs from nine jurisdictions for Egmont Group membership: Afghanistan, China, Dominican Republic, Jordan, Kuwait, Oman, Pakistan, Tanzania, and Yemen. As a member of the Egmont Group, FinCEN also works multilaterally through its representative on the Egmont Training Working Group to design, implement, and instruct at Egmont-sponsored regional training programs for Egmont Group members as well as Egmont candidate FIUs.

FinCEN regularly hosts delegations from foreign FIUs in order to exchange information on operational practices and issues of mutual concern. The participants in these exchanges share ideas, innovations, and insights that lead to improvements in such areas as analysis, information flow, and information security at their home FIUs, in addition to deeper and more sustained operational collaboration. In 2009, FinCEN hosted representatives from Armenia, Kazakhstan, Moldova, and Turkey for week-long exchanges. In addition to hosting these delegations, FinCEN conducted training courses and seminars on analytical topics for the FIUs in the Philippines and South Africa.

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

During Fiscal Year 2009, the Department of Homeland Security's U.S. Immigration and Customs Enforcement (DHS/ICE), Financial, Narcotics and Public Safety Division, in conjunction with the ICE Office of International Affairs, delivered training to law enforcement, regulatory, banking, and trade officials from more than 26 countries to combat money laundering, terrorist financing, and bulk cash smuggling, and to conduct financial investigations. The training was conducted in both bilateral and multilateral engagements. ICE money laundering and financial investigations training is based on the broad experience and expertise achieved by leading U.S. efforts in investigating international money laundering and financial crimes as part of the former U.S. Customs Service.

Bulk Cash Smuggling

Using primarily U.S. Department of State funding, ICE provided bilateral and multilateral training and technical assistance on the interdiction and investigation of bulk cash smuggling (BCS) for 946 officials from 26 countries. Notably, ICE provided basic BCS training in Senegal, Tanzania, Poland, China, Bosnia, Macau and Bangladesh.

Through the U.S. Department of State's International Law Enforcement Academy (ILEA) programs, ICE conducted more than 19 financial investigations and anti-money laundering training programs for more than 505 participants. The participants represented law enforcement personnel from 69 countries.

ICE also has engaged in a partnership with the Organization of American States (OAS) and United Nations. This partnership provides ICE with a unique international and multi agency environment. Through this partnership ICE has conducted and participated in several Financial Crimes Workshops in Mexico and Peru. During these training seminars a total of 70 foreign officials, including police & customs officers, prosecutors and judges have been trained.

Trade Transparency Units (TTUs)

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

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

In 2009, ICE updated the technical capabilities of existing TTUs and trained new and existing TTU personnel from Brazil, Colombia, Paraguay, Argentina, Mexico, and Panama, as well as members of their financial intelligence units. Additionally, ICE strengthened its relationship with the TTUs by deploying temporary and permanent personnel overseas to work onsite and provide hands-on training. These actions have continued to facilitate information sharing between the USG and foreign TTUs in furtherance of ongoing joint criminal investigations.

Other ICE Programs

Additionally in 2009, ICE expanded Operation Firewall, a joint strategic bulk cash smuggling initiative with DHS' U.S. Customs and Border Protection (CBP) to provide hands-on training and capacity building to law enforcement officials in Taiwan and Thailand. Operation Firewall was initiated to address the threat posed by bulk cash smuggling via all modes of transportation at air and land ports of entry. In fiscal year (FY) 2009, Operation Firewall resulted in approximately 1,070 seizures totaling more than $74 million in U.S. currency and negotiable instruments.

Under the ICE Cornerstone initiative, training was designed and developed to provide the financial and trade sectors with the necessary skills to identify and develop methodologies to detect suspicious transactions indicative of money laundering and criminal activity. In furtherance of 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 organizations. In FY 2009, ICE Cornerstone liaisons conducted 949 outreach meetings with more than 12,401 industry professionals in the U.S. and abroad.

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

In 2009, the U.S. Internal Revenue Service Criminal Investigation Division (IRS-CID) continued its involvement in international training and technical assistance efforts designed to assist international law enforcement officers in detecting tax, money laundering, and terrorist financing crimes. With funding provided by the U.S. Department of

State, IRS-CID delivered training through agency and multi-agency technical assistance programs to international law enforcement agencies. Training consisted of both basic and advanced Financial Investigative Techniques.

IRS-CID participated in delivering State Department funded courses to combat terrorism financing and money laundering, which were hosted by the Federal Bureau of Investigation (FBI) in Pretoria, South Africa; Jakarta, Indonesia; Nairobi, Kenya; Asuncion, Paraguay; Manama, Bahrain; Riyadh, Saudi Arabia; Abu Dhabi, U.A.E.; and Ankara, Turkey.

IRS-CID conducted Financial Investigative Techniques courses funded by an interagency agreement between the Bureau of International Narcotics and Law Enforcement Affairs (INL), Department of State, and the IRS-CID in the following locations:

> Ankara, Turkey - the training program was attended by 24 Government of Turkey employees from the Turkish National Police, MASAK (Turkey's FIU) and the Prosecutor's Office.
>
> Panama City, Panama - 36 Panamanian police and prosecutors attended this course.
>
> Dar Es Salaam, Tanzania - 25 officials from the Tanzania Revenue Authority, the Public Prosecutions Office, the Prevention and Combating of Corruption Bureau, the Tanzania Police Force, and the Zanzibar Attorney General's office attended the course.

IRS-CID conducted four Advanced Financial Investigative Techniques courses. Three courses were held in Hong Kong, China, and Macau, China. The first course, lasting two weeks, was presented to 24 members of the Hong Kong Independent Commission Against Corruption (ICAC). The other two courses, each lasting one-week, were presented to 26 investigators from the Hong Kong Police Force and 29 investigators from the Macau Judicial Police, Financial Intelligence Office, Customs, and the Prosecutor's Office, respectively. The fourth course was in Seoul, South Korea - 50 investigators from the Korean National Tax Service attended a course hosted by that agency.

IRS-CID also conducted a Financial Investigative Techniques course in Mexico City, Mexico for 30 new police officers of the Mexican National Police, hosted by NCITA and the Department of Treasury, Office of Technical Assistance (OTA).

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

At ILEA Bangkok:

> IRS-CID participated in one supervisory criminal investigator course.
>
> IRS-CID was the coordinating agency of four Complex Financial Investigation courses presented to over 175 participants from Brunei, Cambodia, China, China's Special Administrative Regions of Hong Kong and Macau, Indonesia, Japan, Laos, Malaysia, Philippines, Singapore, Timor-Leste, and Vietnam. One of these courses was presented to 53 participants from the following Thai agencies: Office of Narcotics Control Board, Office of the National Counter Corruption Commission, Royal Thai Police, Police Coordination Center, Royal Thai Police Academy, Securities and Exchange Commission, the Revenue Department, Royal Thai Police Center for Police Forensic Science, Anti-Money Laundering Office, Bank of Thailand, Customs Department, Department of Special Investigation, Economic and Cyber Crime Division, Royal Thai Police – Narcotics Division, Office of the Consumer Protection Board, Office of Election Commission, Office of Insurance Commission, Anti Corruption Commission, Ministry of Justice, Office of the Attorney General, and the Office of the Auditor General.

At ILEA Budapest:

IRS-CID participated in delivering five sessions of Financial Investigative Techniques training. Hungary, Croatia, Macedonia, Romania, Albania, Ukraine, Kazakhstan, Armenia, and Tajikistan participated in these classes.

At ILEA Gaborone:

IRS-CID participated in four Law Enforcement Executive Development programs, and provided Financial Investigative Techniques training. Botswana, Ghana, Nigeria, Sierra Leone, Kenya, Tanzania, Mauritius, Seychelles, Namibia, Lesotho, Malawi, Rwanda, and Swaziland participated in these classes.

IRS-CID also conducted a two-week Money Laundering, Currency Crimes, and Financial Investigative Techniques course. The course focused on practical exercises that require participants to use the financial investigative concepts presented in class. This course was delivered to 36 participants representing eight countries: Kenya, Tanzania, Sierra Leone, Botswana, Ghana, Mauritius, Seychelles, and Namibia.

At ILEA San Salvador:

El Salvador, Guatemala, Dominican Republic, Honduras, Panama, Costa Rica, Nicaragua, Guyana, Colombia, Ecuador, Suriname, Argentina, Brazil, Chile, Paraguay, and Peru participated in the following courses:

Four Financial Investigative Techniques training courses offered for the Law Enforcement Management Development Programs (LEMDP). LEMDP stresses the importance of conducting a financial investigation to further develop a large scale criminal investigation.

IRS-CID also provided a class coordinator for the six-week ILEA-LEMDP 14, and was responsible for coordinating and supervising the participants' daily duties and activities. IRS-CID also provided the key note speaker for the graduation of LEMDP 14.

Training assessments were completed for the following countries during this reporting period: Panama, South Africa, and Indonesia.

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

The U.S. Department of the Treasury's Office of the Comptroller of the Currency (OCC) conducts on-site anti-money laundering/counter–terrorist financing (AML/CFT) compliance examinations of national banks, federal branches, and agencies of foreign banking organizations. The OCC also works with other federal banking agencies to provide training to foreign banking supervisors.

The OCC sponsored several initiatives to provide AML/CFT training to foreign banking supervisors in 2009. The OCC organized and conducted its annual AML/CFT School in Washington, D.C. The school is designed specifically for foreign banking supervisors to increase their knowledge of money laundering and terrorist financing typologies and improve their ability to detect these activities, thus strengthening their national AML/CFT regimes. Banking supervisors from 11 countries, including Algeria, Austria, Brazil, India, Italy, Korea, Indonesia, Netherlands, Philippines, Thailand and Turkey, attended the school held at the OCC's Washington, D.C., headquarters. OCC officials also met with a delegation of Russian supervisors who visited Washington. Discussions focused on the U.S. bank supervision system, the OCC's risk based supervisory approach, and AML enforcement. The OCC also provided instructors for a workshop organized by the Association of Banking Supervisors of the Americas (ASBA) and hosted by the Central Bank of Jamaica that was attended by 27 supervisors from Jamaica, Barbados, Turks and Caicos, and the Cayman Islands. As part of the OCC's industry outreach efforts, OCC officials delivered AML/CFT presentations at several conferences focused on the Latin American banking community,

including the 8th Annual Puerto Rican AML Symposium, the Annual Florida Bankers Association (FIBA) conference, and the 4th Annual U.S.-Latin American Private Sector Dialogue. The OCC was also represented at the 2009 International Institute of Bankers Annual AML Seminar.

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

Training and Technical Assistance

The U.S. Department of Justice's (DOJ) Office of Overseas Prosecutorial Development, Assistance, and Training (OPDAT), established in 1991, assesses, designs, and implements training and technical assistance programs for U.S. criminal justice sector counterparts overseas. OPDAT draws upon the anti-money laundering/counter-terrorist financing (AML/CFT) expertise within DOJ, including that of the Asset Forfeiture and Money Laundering Section of DOJ's Criminal Division (AFMLS/Criminal Division), the Counterterrorism Section of the National Security Division (CTS/NSD), and U.S. Attorney's Offices to train and advise foreign AML/CFT partners. Much of the assistance provided by OPDAT and AFMLS is provided with funding from the U.S. Department of State; funds are also provided by the U.S. Agency for International Development and the Millennium Challenge Corporation.

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

In 2009, OPDAT, AFMLS, and CTS met with and provided presentations to more than 110 international visitors from more than 20 countries on AML and/or CFT topics. Presentations covered U.S. policies to combat terrorism, U.S. legislation, and issues raised in implementing new legislative tools, and the changing relationship of criminal and intelligence investigations. The meetings also covered money laundering and material support statutes, and the Classified Information Procedures Act. Of great interest to visitors is the balancing of civil liberties and national security issues, which is also addressed.

Money Laundering/Asset Forfeiture/Fraud

In 2009, OPDAT and AFMLS provided training to foreign judges; prosecutors; other law enforcement officials; legislators; customs, supervisory, and FIU personnel; and private sector participants, and provided assistance in drafting anti-money laundering statutes compliant with international standards. Such assistance enhanced the ability of participating countries to prevent, detect, investigate, and prosecute money laundering and to make appropriate and effective use of asset forfeiture. The content of individual technical assistance programs varied depending on the participants' specific needs, but topics addressed in 2009 include the investigation and prosecution of complex financial crimes, economic

crimes, money laundering, and corruption; the use of asset forfeiture as a law enforcement tool; counterfeiting; health care fraud; and international mutual legal assistance.

AFMLS-provided Training and Technical Assistance

AFMLS provides direct technical assistance in connection with legislative drafting on all matters involving money laundering, asset forfeiture, and the financing of terrorism. In 2009, AFMLS provided such assistance to eight countries, including Afghanistan, Azerbaijan, Bulgaria, Haiti, Indonesia, Iraq, Mexico and Turkmenistan. AFMLS provided in-country training on money laundering, forfeiture and financial investigation issues in Bangladesh, Denmark, Egypt, Japan, Kuwait, Saudi Arabia, Tanzania, Thailand and St. Kitts. Training was also provided in the United States to visiting delegations from Albania, Canada, Croatia, Estonia, Kazakhstan, Malaysia, Moldova, Mongolia, Iraq, Russia, Senegal, Turkey and Ukraine.

In April, AFMLS, accompanied by OPDAT RLA and Office of International Affairs (OIA) attorneys, participated in a high level asset recovery workshop for government cabinet members in Bangladesh. AFMLS continued to participate in meetings of the Organization of American States (OAS) Inter-American Drug Abuse Control Commission (CICAD) Experts Group on Money Laundering to develop and promote best practices in money laundering and asset forfeiture. In May, in an effort to improve international cooperation, AFMLS, in conjunction with the Japanese Ministry of Justice, co-hosted a conference in Tokyo, Japan, focused on "Forfeiting the Proceeds of International Organized Crime". This conference brought together about 80 attorneys and prosecutors from Singapore, Korea, Hong Kong (SAR), Japan, and the United States to discuss experiences and provide practical tools to further international forfeiture cooperation.

In July, AFMLS conducted a conference on international issues in asset forfeiture covering joint international investigation; obtaining legal assistance from foreign countries; effective prosecution strategies for cases involving alien trafficking, arms trafficking and currency smuggling; recovering the proceeds of foreign corruption; and international asset sharing. Prosecutors from the United States and 12 other nations including Argentina, Barbados, Brazil, Colombia, Costa Rica, the Dominican Republic, Ecuador, Grenada, Mexico, Panama, Paraguay and St. Kitts were in attendance. In 2009, the United States held the presidency of the Camden Asset Recovery Inter-Agency Network (CARIN) Group on asset recovery, and represented by AFMLS, hosted the network's annual meeting at the Bolger Center in Potomac, Maryland in September.

Additionally, AFMLS and OPDAT, with funding provided by INL, placed a short term asset recovery advisor from the OIA in Bangladesh to assist the government in establishing a central authority.

OPDAT-provided Training and Technical Assistance

In 2009, OPDAT led or participated in training programs and seminars addressing the following topics, all tailored to the region or individual country: asset forfeiture seminars in Albania, Bangladesh, Cambodia, Kosovo, Laos, Macedonia and Serbia; complex financial crime investigation and prosecution in Albania, Bosnia and Herzegovina, Jordan, Kosovo, Macedonia, Mozambique, Serbia, Turkey and Ukraine; anti-corruption programs for Albania, Cameroon, Liberia, Rwanda, Serbia, Tanzania and Uganda; mutual legal assistance for Bangladesh and Moldova; and, AML/CFT-related seminars for Argentina, Brazil, Costa Rica, Indonesia, Jordan, Middle Eastern/Gulf region countries, Mexico, Panama, Paraguay, Saudi Arabia, Ukraine and Uruguay.

Albanian, Indonesian and Malaysian officials participated in study tours to the United States to observe how the U.S. investigates and prosecutes complex financial crimes and corruption. Additionally, In October 2009, OPDAT and the Bulgarian National Institute for Justice co-sponsored a workshop on Health Care Fraud.

In February and July, 2009, OPDAT organized and chaired the third and fourth meetings of the Economic Crime Working Group whose participants include prosecutors and police officers who are members of the Joint Investigative Unit to Fight Economic Crime and Corruption (JIU), Financial Intelligence Unit inspectors and bank compliance officers.

In August 2009, OPDAT conducted a series of seminars in South Africa to explain the use of racketeering charges in money laundering and financial fraud cases. In Montenegro, the RLA office hosted an asset forfeiture roundtable, led by U.S. Marshals Service officials, to discuss implementation of Montenegro's new law on asset forfeiture. In addition, OPDAT hosted a seminar to introduce judges, prosecutors, police and lawyers to the secret surveillance measures and asset forfeiture provisions of a draft Criminal Procedure Code for Montenegro.

In November 2009, the Deputy Chief of the U.S. Department of Justice Asset Forfeiture and Money Laundering Section (AFMLS) traveled to Indonesia to work with the OPDAT RLA, the Indonesia Financial Investigation Unit (PPATK), and an inter-agency drafting team on new Non-Conviction Based (NCB) Asset Forfeiture Legislation for Indonesia.

Terrorism/Terrorist Financing

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

CTS- provided Training and Technical Assistance

In February 2009, a prosecutor from CTS/NSD gave a presentation on the American perspective on terrorist financing at the Organization of American States' four-day "Terrorism Financing Sub Regional Workshop" in San Jose, Costa Rica. Among the participants were prosecutors and law enforcement agents from throughout South America. The workshop focused on terrorist financing, counter-terrorism legislation, asset forfeiture and anti-money laundering efforts.

In addition, in November 2009, a CTS prosecutor discussed the U.S. experience in investigating the financing of terrorist acts at the United Nations Office on Drugs and Crime's "Specialized Workshop in the Prevention and Fight against Terrorism and its Financing," in the Bahamas.

OPDAT- provided Training and Technical Assistance

The TFWG supports six RLAs assigned overseas, located in Bangladesh, Indonesia, Kenya, Pakistan, Turkey, and the United Arab Emirates (UAE). The RLA for the UAE and the Middle East is stationed at the U. S. embassy in Abu Dhabi, UAE, and is responsible for OPDAT program activities in the UAE, Saudi Arabia, Kuwait, Qatar, Jordan, Yemen, Oman, and Bahrain. The activities of the RLAs consist not only of capacity-building with host country justice sectors. Working in countries deemed to be vulnerable to terrorist financing, RLAs focus on money laundering and financial crimes and developing counter-terrorism legislation that criminalizes terrorist acts, terrorist financing, and the provision of material support or resources to terrorist organizations. The RLAs implement these programs by providing training, assistance in legislative drafting and support for the countries' AML/CFT efforts. Some highlights of the RLAs' efforts in 2009 include:

In Bangladesh, following RLA and U.S. embassy sponsored anti-counterfeiting seminars by agents of the United States Secret Service (USSS), the agents carried on consultations with U.S. and Bangladeshi officials focusing on currency counterfeiting activity in South Asia.

In Indonesia, the RLA continued to engage the Attorney General's Terrorism and Transnational Crime Task Force (SATGAS), which OPDAT helped establish as an operational unit in 2006. The task force is

responsible for prosecuting significant cases involving four key areas: terrorism, money laundering, trafficking in persons, and cyber crime. In 2009, OPDAT conducted two courses as part of a new regional training initiative sponsored by OPDAT under the Aegis of the SATGAS for local prosecutors At this program, the Task Force provided substantive knowledge to local prosecutors concerning the Task Force's main priorities, including terrorism and money laundering, while at the same time building relationships between the members of the Task Force and the prosecutors in the field. Additionally, OPDAT sponsored two legislative drafting conferences for an Indonesian inter-agency drafting team to write a new terrorism financing statute to replace the widely criticized 2003 law.

The RLA in Kenya spent much of the year providing support to the Kenyan government, U.S. authorities, and the international community for the prosecutions of Somali pirates, assisting in drafting the memorandum of understanding between the U.S. and Kenya on the hand-over of captured suspects, and the standard operating procedures used by international naval personnel undertaking counter-piracy operations in the region.

In 2009, in addition to the programs listed under the Money Laundering/Asset Forfeiture/Fraud section, the RLAs conducted or participated in the following training programs and seminars: terrorist financing investigations and prosecutions in Indonesia and Jordan; piracy seminars in Kenya and Tanzania; and counterfeiting in Bangladesh. Officials from Indonesia and Turkey participated in study tours to the U.S.; and Pakistani officials accompanied the RLA to India to attend the South Asia Regional Conference on Countering Terrorist Financing in the Charitable Sector.

In addition to the RLAs, OPDAT has an Intermittent Legal Advisor (ILA) program designed to mentor the Bosnia and Herzegovina Prosecutor's Office on complex prosecutions including terrorism investigations. The ILA mentors on evidence, methodology for witness interviews, and charging analysis, and has established a working group structure that combines law enforcement agents with prosecutors.

Office of Technical Assistance (OTA), Treasury Department

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

Fifty-four experienced Resident Advisors and Intermittent Advisors comprise the Economic Crimes Team (ECT). These advisors provide diverse expertise in the development of anti-money laundering/counter-terrorist financing (AML/CFT) regimes, and the investigation and prosecution of complex financial crimes. The ECT is divided into three geographic areas, each of which is managed by a full-time Regional Advisor: Europe and Asia, Africa and the Middle East, and the Americas.

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

Regional and Resident Advisors (RA)

OTA Regional Advisors and Resident Advisors (RAs) continued international support in the areas of money laundering and terrorist financing through conducting bilateral assessments; organizing and participating in regional training events and international workshops and seminars; working collaboratively with international donors; and supporting FATF-style regional bodies in the delivery of

technical assistance and other direct and indirect TA activities. The Regional Advisor, Africa and Middle East serves as the U.S representative for the MENAFATF Technical Assistance and Typology Working Group and is a member of U.S. delegations to three FATF-style regional bodies in his region. OTA's Regional Advisor for Europe and Asia participated as a delegate from the United States at the U.S.-India FATF AML/CFT Workshop, where he assessed India's AML/CFT TA needs.

The OTA residency program with the Eurasian Group on Money Laundering (EAG), based in Moscow, was concluded in mid-2009 after a successful two-year engagement that saw the development of regional operational standards for anti-money laundering, as well as direct technical assistance to many EAG members. In Tunisia, OTA successfully concluded assistance to the African Development Bank, establishing an anti-fraud and corruption department, training and mentoring investigators, establishing training programs, developing procedures for an anti-fraud hot line, setting up a case management system and co-chairing the Bank's AML/CFT Strategy Implementation Group.

OTA's RA in Paraguay continued to provide assistance to develop the internal affairs unit within the customs administration, including assistance with the identification, vetting, and training of personnel, and the provision of workplaces. OTA received approval from the US Embassy in Mexico for the installation of a Resident Advisor in Mexico as part of its continuing technical assistance program in that country.

In Namibia, the RA assisted in drafting implementing regulations for the financial intelligence unit (FIU); facilitated the purchase and installation of a United Nations-developed IT data base software to receive, process and analyze suspicious and cash transaction reports; and drafted delegation orders and guidance notes to reporting entities. The RA also conducted research, recommended courses of action to establish monetary thresholds for reports and cross-border declarations, and drafted procedures for the exemption process for reporting entities. In Jordan, the OTA RA worked with the new FIU director to provide orientation and training to new employees, and advised on the acquisition of office space, equipment, and IT systems. The RA serves as the U.S. Embassy coordinator for the expenditure of INL funds for the physical development of the FIU, including IT equipment, and database and IT system development.

OTA placed a new RA in Kabul in January 2009 to continue to assist in the development of an operational FIU within the Afghanistan Bank, Afghanistan's central bank, and the licensing and regulation of hawaladars and other financial sector participants in Afghanistan. The RA provides mentoring, advice, and other development assistance to FIU management, analysts, and other staff.

OTA plans to place an additional RA in Afghanistan and will place a resident Banking AML/CFT Specialist in Kabul in early 2010. OTA plans to place an Economic Crimes RA in Hanoi in early 2010. OTA also plans to place a new resident advisor in Kosovo in early 2010 to assist in standing up the FIU.

Assessing Training and Technical Assistance Needs

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

Before initiating training or technical assistance, OTA Economic Crimes Advisors conduct comprehensive assessments to identify needs and to formulate responsive assistance programs. These needs assessments examine legislative, regulatory, law enforcement, and judicial components, and include the development of technical assistance work plans to enhance a country's efforts to fight money laundering, terrorist financing, organized crime and corruption. During 2009, OTA conducted

assessments in Libya, Saudi Arabia, Palestine, Morocco, Botswana, Mozambique, Ghana, El Salvador, Guatemala, Honduras, Jamaica, Costa Rica, Mexico, Peru, Uruguay, Georgia, Armenia, Kosovo, India and Pakistan.

Additionally, targeted assessments of a particular sector may be undertaken. In 2009, OTA participated in the Pakistan civilian assistance strategy review. Gaming assessments were conducted in Costa Rica, Guatemala and Peru. In Laos, OTA conducted a legislative assessment with the Laotian Anti-Money Laundering Intelligence Unit. In Laos and Cambodia, OTA conducted an AML-related IT assessment and has began providing assistance in development of financial intelligence reporting systems. OTA provided for basic IT assessments of Paraguay's and Uruguay's current FIU IT systems.

AML/CFT Training

In addition to the support and training provided by the RAs, OTA specialists delivered AML/CFT courses and other advice-based services to government and private sector stakeholders in a number of countries. Course topics included money laundering and financial crimes investigations; identification and development of local and international sources of information; operations and regulation of banks, non-bank financial institutions and the gaming sector, including record keeping; investigative techniques; financial analysis techniques; forensic evidence; computer assistance and criminal analysis; interviewing; case development, planning, and organization; report writing; and, with the assistance of local legal experts, rules of evidence, mutual legal assistance and cooperation, search and seizure, and asset seizure and forfeiture procedures. OTA continued to offer train-the-trainer courses throughout its programs so that the basic skills taught in investigative courses can be passed on by the recipients to their agency colleagues. To complement its independent programs, OTA partnered with several USG and multilateral organizations, including agencies and offices of the U.S. Departments of State, Justice, Treasury and Homeland Security; the UN; the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body; the Association of Southeast Asian States (ASEAN); and the Millennium Challenge Corporation to deliver a variety of training.

In 2009, OTA led or participated in the following training programs delivered to FIU and supervisory personnel, police, prosecutors, judges, customs officers and/or private sector entities: Financial Investigative Techniques (FIT) courses in Cambodia, El Salvador, Guatemala, Haiti, Honduras, Jordan, Lesotho, Mexico, Pakistan, Palestine, and Uruguay; Financial Analysts Training in Afghanistan, Algeria, Ecuador, Honduras, Lesotho, Mexico, Palestine, Uruguay, and a regional course for members of the Middle East and North Africa Financial Action Task Force (MENAFATF); bulk cash smuggling training for Afghanistan, Gulf Region members of the MENAFATF, Laos, Namibia and Vietnam; AML/CFT seminars for Argentina, Mexico, Namibia and Philippines; and an anti-corruption seminar for Bahrain, Jordan, Morocco, and Yemen; a seminar on trade-based money laundering in Namibia; and, an asset forfeiture workshop for Laos and Cambodia. OTA also conducted a regional FIU workshop in Warsaw, Poland for FIUs from ten countries of Eastern Europe and the Eurasian Group on Money Laundering (EAG).

In Lesotho, OTA continues its collaboration with Lesotho's revenue authority in establishing a criminal investigation and intelligence department to address tax evasion, much of which is related to trade-based money laundering. Through the MCC, OTA continues to work with customs authorities in Sao Tome and Principe to modernize operations. Efforts have led to the passage of a modern and internationally compliant customs law; and work is progressing on installing a modern automated system to improve the processing, transparency, and security of goods moving through the seaport and airport; and improving infrastructure and capacity to execute customs operations, including inspection and counter–smuggling activities. OTA assisted Laos in preparing for its APG mutual evaluation, funding translation of the

mutual evaluation questionnaire and other key documents, and participating in preparatory training for completion of the questionnaire. In Georgia, OTA completed preparation of an Operations Manual for the Investigations Department, which is in the early stages of its development. In Haiti, OTA continued its technical assistance program to develop a financial crimes unit and a companion investigative unit and to train its personnel, prosecutors and judges. OTA continued its technical assistance to the government of Haiti by assisting with drafting a new and revised criminal code, drafting criminal provisions of the Haitian tax code, and mentoring of active cases.

Financial Intelligence Units

Resident and intermittent advisors in Armenia, Georgia, Kosovo, Poland, and the Mekong region delivered technical assistance to streamline and enhance host governments' FIUs. In Georgia and Armenia, this assistance included information technology (IT) development. OTA continued to deliver intermittent TA to Mekong region countries (Vietnam, Cambodia, and Laos) according to assessed needs in each jurisdiction. In Vietnam, OTA signed a Terms of Reference (TOR) with the State Bank of Vietnam that will lead to a residency program there. In Pakistan, OTA established a TOR for intermittent assistance to the FIU, as well as other Pakistani institutions involved with preventative, analytic, and enforcement aspects of the AML/CFT regime. This assistance is expected to transition to a resident advisor project in 2010. In Paraguay, OTA continued to advise the FIU on its analytical and IT operational capacities. OTA also worked closely with the Ecuadorian FIU to plan technical assistance in financial investigative techniques, and in gaming sector supervision for money laundering and terrorist financing risk.

In Namibia, Algeria, Palestine and Jordan, advisors provided technical assistance to enhance the operational capacity of FIUs. In Lesotho, assistance is being provided to the newly authorized FIU in acquiring and configuring office space, acquiring office equipment and IT systems, hiring personnel, and drafting regulations. In Algeria and Palestine, training was provided on the analysis of suspicious transaction reports. In addition, OTA continued its work in the IT area, assisting the Haiti FIU in its efforts to obtain appropriate IT systems to receive reports from obligated entities. In Uruguay, OTA collaborated with the FIU by providing a speaker for a seminar focused on AML/CFT issues. OTA provided for basic IT assessments of Paraguay's and Uruguay's current IT system.

Casinos and Gaming

The Casino Gaming Group (CGG) experts have provided technical assistance to the international community in the area of gaming industry regulation since 2000. The program provides assistance in the drafting of gaming legislation and implementing regulations. The CGG also provides training for gaming industry regulators, including FIU personnel, to develop the capacity to implement AML programs, conduct pre-licensing investigations, and audit and inspect casino operations and all games of chance.

In 2009, the CGG provided technical assistance to the government of Kosovo in drafting its casino gaming law. In Costa Rica and Guatemala, OTA provided guidance on the drafting of legislation to regulate the gaming industry and provide for its taxation. The CGG also worked with the Panama Gaming Board to provide a three-week program for new staff, to enhance audit and inspection techniques, and on a program to review and strengthen internal control standards throughout the casinos. In Peru, the CGG provided a basic training program and assessment for the Peruvian Gaming Commission. The Group also worked with Peru in reviewing licensing and audit procedures, along with recommendations for changes to the Peruvian law to strengthen enforcement and licensing capacity. The CGG also assisted the casino regulatory authority (SCJ) in Chile, providing guidance in the implementation of SCJ's regulatory regime.

Insurance

In 2009, OTA provided technical assistance to protect insurance systems from money laundering, terrorist financing, and fraud. OTA provided training in AML/CFT compliance programs to Jordanian and Egyptian insurance industry personnel and regulators. Work with the Egyptian insurance regulatory authority concentrated on insurance sector compliance with AML/CFT laws requiring inspections by government regulators and will subsequently focus on antifraud measures. OTA's expert insurance advisors mentored the insurance regulator in Egypt during an onsite AML/CFT inspection of a large private insurance company, and assisted in drafting the final inspection report. In Argentina, OTA provided a five-day seminar to the staff of the Superintendent of Insurance on AML/CFT compliance, including inspection procedures. In Paraguay, OTA provided four days of training to the insurance regulators on detecting wrongdoing by inside company officials during compliance inspections, and on risk-based inspection procedures, and provided a two-day anti-fraud workshop for both the industry and regulators. In addition, OTA made a presentation at the regional Annual Insurance Law Congress, hosted in Paraguay, on issues relating to the reporting of suspicious transactions.

Treaties and Agreements

Treaties

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, France with respect to its overseas departments (French Guiana, Guadeloupe and Martinique) and collectivities (French Polynesia and Saint Martin), Germany, Greece, Grenada, Hungary, India, Ireland, Israel, Italy, Jamaica, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malaysia, 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, Sweden, 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), Uruguay and Venezuela. The United States also has agreements in place for cooperation in criminal matters with Hong Kong (SAR) and the Peoples Republic of China (PRC). Mutual legal assistance agreements have been signed by the United States but not yet brought into force with the European Union and the following countries: Bermuda, Bulgaria, and Colombia. The United States is actively engaged in negotiating additional MLATs with countries around the world. The United States has also signed and ratified the Inter-American Convention on Mutual Legal Assistance of the Organization of American States, the United Nations Convention against Corruption, the United Nations Convention Against Transnational Organized Crime, the International Convention for the Suppression of the Financing of Terrorism, and the Vienna Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

Agreements

In addition to MLATs, the United States has entered into executive agreements on forfeiture cooperation, including: (1) an agreement with the United Kingdom providing for forfeiture assistance and asset sharing in narcotics cases; (2) a forfeiture cooperation and asset sharing agreement with the

Kingdom of the Netherlands; and (3) a drug forfeiture agreement with Singapore. The United States has asset sharing agreements with Canada, the Cayman Islands (which was extended to Anguilla, British Virgin Islands, Montserrat, and the Turks and Caicos Islands), Colombia, Ecuador, Jamaica, Mexico, and Monaco.

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

Asset Sharing

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

From 1989 through October 2009, the international asset sharing program, administered by the Department of Justice, shared $230,096,118 with 36 foreign governments that cooperated and assisted in the investigations. In 2009, the Department of Justice transferred $499,913.50 in forfeited proceeds to the Bahamas. Prior recipients of shared assets include: Anguilla, Antigua and Barbuda, Argentina, the Bahamas, Barbados, British Virgin Islands, Canada, Cayman Islands, Colombia, Costa Rica, Dominican Republic, Ecuador, Egypt, Germany, Greece, Guatemala, Guernsey, Honduras, Hong Kong (SAR), Hungary, Indonesia, Isle of Man, Israel, Jordan, Liechtenstein, Luxembourg, Netherlands Antilles, Paraguay, Peru, Romania, South Africa, Switzerland, Thailand, Turkey, the United Kingdom, and Venezuela.

From Fiscal Year (FY) 1994 through FY 2009, the international asset-sharing program administered by the Department of Treasury shared $28,820,878 with foreign governments that cooperated and assisted in successful forfeiture investigations. In FY 2009, the Department of Treasury transferred $795,209 in forfeited proceeds to Canada ($419,465), Republic of China ($10,200), Switzerland ($352,662), and the Republic of Vietnam ($12,882). Prior recipients of shared assets include: Aruba, Australia, the Bahamas, Cayman Islands, Canada, China, Dominican Republic, Egypt, Guernsey, Honduras, Isle of Man, Jersey, Mexico, Netherlands, Nicaragua, Panama, Portugal, Qatar, St. Vincent & the Grenadines, Switzerland, and the United Kingdom.

Multi-Lateral Organizations & Programs

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

The Financial Action Task Force (FATF)

The Financial Action Task Force (FATF) is an inter-governmental body whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing. The FATF was created in 1989 and works to generate legislative and regulatory reforms in these areas. The FATF currently has 35 members, comprising 33 member countries and territories and two regional organizations, as follows: Argentina, Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, The Netherlands, New Zealand, Norway, Peoples Republic of China, Portugal, Republic of Korea, Russian Federation, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, United Kingdom, the United States, the European Commission and the Gulf Cooperation Council. FATF admitted The Republic of Korea in October 2009.

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

The Asia/Pacific Group on Money Laundering (APG)

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

The Caribbean Financial Action Task Force (CFATF)

The Caribbean Financial Action Task Force (CFATF) was established in 1992. CFATF has 30 members: Anguilla, Antigua & Barbuda, Aruba, 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 & Nevis, St. Lucia, St. Vincent & the Grenadines, Suriname, Trinidad & Tobago, Turks & Caicos Islands, and Venezuela.

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

The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) was established in 1997 under the acronym PC-R-EV. MONEYVAL is

comprised of 28 permanent members, two temporary, rotating members and one active observer. The permanent members are Albania, Andorra, Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Latvia, Liechtenstein, Lithuania, Malta, Moldova, Monaco, Montenegro, Poland, Romania, Russian Federation, San Marino, Serbia, Slovakia, Slovenia, the Former Yugoslav Republic of Macedonia, and Ukraine. The active observer is Israel. Temporary members, designated by the FATF for a two-year membership, are currently Austria and the United Kingdom.

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

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

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

The Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) was established on October 6, 2004, and has seven members: Belarus, Kazakhstan, Kyrgyzstan, the People's Republic of China, the Russian Federation, Tajikistan, and Uzbekistan.

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

The Financial Action Task Force on Money Laundering in South America (GAFISUD) was formally established in December 2000 by the ten member states of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru and Uruguay.

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

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

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

The Middle East and North Africa Financial Action Task Force (MENAFATF) was formally established in November 2004. MENAFATF has 18 members: Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates, and Yemen.

The Egmont Group of Financial Intelligence Units

The Egmont Group began in 1995 as a collection of a small handful of national entities—today referred to as financial intelligence units (FIUs)—seeking to explore ways to cooperate internationally among themselves. 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, improving expertise and capabilities of personnel employed by such organizations, and fostering better and more secure communication among FIUs through the application of technology.

To meet the standards of Egmont membership, an FIU must be a centralized unit within a nation or jurisdiction established to detect criminal financial activity and ensure adherence to laws against financial crimes, including terrorist financing and money laundering. Today the FIU concept is an important component of the international community's approach to combating money laundering and terrorist financing. The Egmont Group has grown dramatically from 14 units in 1995 to a recognized membership of 116 FIUs in 2009.

In 2008-2009, the Egmont Group sought to deepen its relationships with the Financial Action Task Force (FATF) and FATF-style regional bodies (FSRBs). For example, the Egmont regional representatives and several of the FSRBs agreed to work together on issues involving FIUs in Africa. Nine FIUs joined the Egmont Group in 2009, representing the following jurisdictions: Fiji, Kyrgyz Republic, Macao, Malawi, Mongolia, Saudi Arabia, Senegal, Sri Lanka, and St. Lucia.

The Egmont Group is organizationally structured to meet the challenges of the large membership and its workload. The Egmont Committee, a group of 15 members, is an intermediary group between the 116 heads of member FIUs and the Egmont working groups. This Committee addresses the administrative and operational issues facing the Egmont Group. In addition to the Committee, there are five working groups: legal, operational, training, information technology, and outreach. 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 on typologies, analytical tools and technological developments.

In December 2008, the Egmont Group expelled Bolivia's FIU from its membership, due to a lack of terrorism financing legislation in Bolivian law. To regain Egmont membership, Bolivia must reapply and provide written evidence of its FIU's compliance with Egmont FIU definitions and requirements. In 2009, the remaining 116 members of the Egmont Group are Albania, Andorra, Anguilla, Antigua and Barbuda, Argentina, Armenia, Aruba, Australia, Austria, Bahamas, Bahrain, Barbados, Belarus, Belgium, Belize, Bermuda, Bosnia and Herzegovina, Brazil, British Virgin Islands, Bulgaria, Canada, Cayman Islands, Chile, Colombia, Cook Islands, Costa Rica, Croatia, Cyprus, Czech Republic, Denmark, Dominica, Egypt, El Salvador, Estonia, Fiji, Finland, France, Georgia, Germany, Gibraltar, Greece, Grenada, Guatemala, Guernsey, Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Ireland, Isle of Man, Israel, Italy, Japan, Jersey, Kyrgyz Republic, Latvia, Lebanon, Liechtenstein, Lithuania, Luxembourg, Macao, Macedonia, Malawi, Malaysia, Malta, Marshall Islands, Mauritius, Mexico, Moldova, Monaco, Mongolia, Montenegro, Netherlands, Netherlands Antilles, New Zealand, Nigeria, Niue, Norway, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russia, San Marino, Saudi Arabia, Senegal, Serbia, Singapore, Slovakia, Slovenia, South Africa, South Korea, Spain, Sri Lanka, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Sweden, Switzerland, Syria, Taiwan, Thailand, Turkey, Turks and Caicos, Ukraine, 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, through its Inter-American Drug Abuse Control Commission (OAS/CICAD), is responsible for combating illicit drugs and related crimes, including money laundering.

In 2009, CICAD continued to carry out its activities in anti-money laundering/counter-terrorist financing (AML/CFT) throughout Latin America and the Caribbean. CICAD's AML/CFT training programs seek to improve and enhance the knowledge and capabilities of judges, prosecutors, public defenders, law enforcement agents, and financial intelligence unit (FIU) analysts. The U.S. Department of State Bureau of International Narcotics and Law Enforcement Affairs (INL) provided full or partial funding for many of the CICAD training programs in 2009.

Achievements in 2009

CICAD tailors most of its projects for specific beneficiaries, but in 2009 several initiatives ended up having broad, regional impact, surpassing their original objectives. The Latin American program for the Management of Seized and Forfeited Assets (BIDAL, from the Spanish acronym) project stirred interest across the region. Also, a subregional workshop in Costa Rica to encourage legislation on the financing of terrorism, opened up a process of horizontal cooperation, boosted the momentum of legislative initiatives, and encouraged the development of follow-up missions and specialized technical assistance.

Given the interest stirred by program activities, CICAD had to redesign and reprogram projects, broadening them to a more regional scope, to include organizations and officials of other countries. CICAD's specialized training also reached more senior officials, whose extensive experience and professional competence increased the impact of CICAD's efforts. Another sign of partner support was the significant contributions of host countries to holding training events, allowing the Section to maximize the use of its funding.

Expert Group to Control Money Laundering: This technical advisory group, comprised of subject matter experts from member states, held a session in May in Washington, DC, and a second in September in Montevideo. At each meeting, one task force (BIDAL) focused on synthesizing work done on seized and forfeited assets while a second dealt with improving the interaction, integration and cooperation of financial intelligence units (FIUs) and law enforcement agencies.

The main objective of the BIDAL task force was to provide technical assistance to member states to develop, implement and strengthen entities responsible for the administration of seized assets. It produced a Manual of Best Practices and guidelines as well as recommendations for specialized training, drawing on the experience acquired in the three pilot project countries (Argentina, Chile and Uruguay). It also drafted an amendment to the *Model Legislation on Money Laundering Offenses connected to Illicit Drug Trafficking and other serious offenses*, which was approved by the full Commission in December.

The FIU task force began collecting information for a diagnostic document that would describe the investigative interplay between the FIUs and law enforcement agencies in the Hemisphere, outline the legal frameworks that establish and regulate their relationships, and capture good practices and recommendations for this type of collaboration. FIUs have existed for less than a decade in the Americas and are just beginning to work more closely with more traditional law enforcement agencies and court systems.

Seized and Forfeited Assets: Building on the work in the Expert Group, CICAD concluded the pilot phase of the BIDAL Project that had gotten underway in the three countries in 2008. Each country set up inter-institutional working groups for drafting and following through on recommendations based on overall assessments made previously in each country, paying close attention to operational bottlenecks, friction between the legal framework in theory and the actual practice on the ground, and financial management of resources.

As part of the BIDAL project, two hybrid seminars, part specialized training, part experience exchanges, were held with the support of the Secretariat of State Security of the Ministry of Interior of Spain. A meeting in Buenos Aires focused on a mid-point evaluation of the pilot countries, with 60 participants. A second seminar in Lima drew 25 experts from the pilot project countries, plus Colombia, Ecuador, Mexico, Peru and Venezuela, and served to expand the project's application in the region.

Training: CICAD and the Narcotics Affairs Section of the U.S. Embassy in Lima developed a comprehensive training program for judges, prosecutors, public defenders, banking compliance officers and FIU financial analysts on the techniques and tools of investigating and prosecuting money laundering. Within this program (eight training events for 184 participants), workshops were held for judges on special techniques of investigation, circumstantial evidence, and on analysis of financial links and relationships and special investigation techniques. In the second half of 2009, the initiative focused on training officials located outside of the capital.

Together with the UNODC and Inter-American Development Bank, CICAD organized mock trials in Brazil (52 participants), Nicaragua (120) and Panama (110). CICAD also held a course for prosecutors on legal theory in investigation and prosecution of money laundering cases (32), and a workshop on the analysis of financial links and relationships in Guatemala (19).

In February 2009, with Inter-American Committee against Terrorism (CICTE) of the OAS and UNODC participation, a workshop on the financing of terrorism took place in San José. It centered on a mock investigation of a case of terrorist financing with the goal of strengthening the investigative skills of the participants as well as the requisite cooperation among law enforcement agencies. Bolivia, Brazil, Costa Rica, Ecuador, Honduras and Paraguay sent 27 participants.

In 2009, CICAD's training programs reached a total of 609 participants in 16 events.

Pacific Anti-Money Laundering Program (PALP)

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

The PALP uses resident in-country mentors and intermittent mentors who visit participating jurisdictions to provide tailor-made advice and assistance on establishing viable AML/CFT regimes, including assistance with legal, law enforcement, regulatory, and financial intelligence unit (FIU) development.

In 2009, the PALP continued to provide assistance on a wide range of AML/CFT issues, including legislative drafting, capacity building, and very importantly, case support. During 2009 a number of jurisdictions commenced their fist money laundering investigations with advice and coaching from the PALP mentors. Regional and bilateral training was also conducted for prosecutors, customs officers and law enforcement officials.

The PALP works in close cooperation with the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body, in order to coordinate delivery of technical assistance and training to jurisdictions that are both APG members and PALP participants. Case support for money laundering investigations in a number of jurisdictions was a priority for the PALP in 2009. Mentoring investigators and prosecutors is an effective way to ensure the new knowledge and skills gained through attendance at formal training events is put into operation. Coaching by the PALP mentors builds confidence within officials who are charged with undertaking money laundering investigations and prosecutions. PALP also delivers regional, sub-regional, and national training courses designed to give police investigators,

customs officers, prosecutors, FIU staff, and regulators the knowledge and skills they need to identify, investigate, and prosecute money laundering and terrorist financing cases.

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

The United Nations is one of the most experienced global providers of anti-money laundering (AML) training and technical assistance and, since 9-11, counter-terrorist financing (CFTT) training and technical assistance. The United Nations Global Programme against Money Laundering, Proceeds of Crime and the Financing of Terrorism (GPML), part of the United Nations Office on Drugs and Crime (UNODC), was established in 1997 to assist member states to comply with the UN Conventions and other instruments that deal with money laundering and terrorist financing. These now include the United Nations Convention against Traffic in Narcotic Drugs and Psychotropic Substances (the 1988 Vienna Convention), the United Nations International Convention for the Suppression of the Financing of Terrorism (the 1999 Convention), the United Nations Convention against Transnational Organized Crime (the 2000 Palermo Convention), and the United Nations Convention against Corruption (the 2003 Merida Convention).

In March 2008, the Programme's scope and objectives were widened to meet the growing needs and demands of the international community for tailor-made assistance in the effective implementation of these UN instruments and other international anti-money laundering/counter-terrorist financing (AML/CFT) standards and to use AML/CFT systems as effective tools to achieve better financial transparency, integrity and good governance.

The GPML elaborated an ambitious program to make international action against the proceeds of crime and illegal financial flows more effective. This is done through a wide range of technical assistance measures and in close partnership with regional or multilateral organizations. GPML 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. GPML also now incorporates a focus on counter-terrorist financing in all its technical assistance work, in particular its financial investigations and financial analysis training tools. In 2009, GPML provided training and long-term assistance in the development of viable AML/CFT regimes to more than 50 countries.

The Mentoring Program

GPML's Mentor Program is one of the most successful and well-known activities of international AML/CFT technical assistance and training, and is increasingly serving as a model for other organizations' initiatives. It is one of the core activities of the GPML technical assistance program and is highly regarded by the AML/CFT community. The GPML Mentoring Program provides targeted on-the-job training that adapts international standards to specific local/national situations, rather than the traditional training seminar. 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.

Mentoring and FIUs

GPML mentors worked extensively on the development and implementation phases of FIUs in several countries in the Eastern Caribbean; Western, Southern and Eastern Africa; the Pacific; Central Asia; and, in the Mekong region. A major initiative that could have global implications for many FIUs is the

development by the UNODC Information Technology Service (ITS), with substantive inputs from GPML, of an analytical and integrated database and intelligence analysis system for operational deployment in FIUs, called goAML (http://goaml.unodc.org). It is an IT solution for FIUs to manage their activities, particularly data collection, analysis, and dissemination. GPML also developed a Financial Intelligence Unit Analyst Course, designed for FIU analysts, the purpose of which is to develop their knowledge and skills in the analysis process and the development of financial intelligence.

Other GPML Initiatives

In 2009, on the same principle as the FIU Analyst Course, GPML also developed a Financial Investigation Course that aims to provide an opportunity for investigators to develop their knowledge and skills in financial investigation and to raise awareness of terrorist financing and money-laundering methods. This national course has a practical focus and is designed upon the legal and procedural processes in the country receiving the training. GPML also contributed to the delivery of mock trials. This tailor-made activity was developed in response to repeated requests from member states for practical realistic AML training. It combines training and practical aspects of the judicial work into one capacity building exercise.

As part of the UNODC Rainbow Strategy, which aims to reduce the supply, trafficking, and consumption of opiates in Afghanistan and neighboring countries, GPML has led a new initiative on "Financial flows to and from Afghanistan linked to the illicit drug production and trafficking" since January 2008. An action plan and related timeline has been developed. In September 2007, UNODC and the World Bank launched the Stolen Asset Recovery (StAR) Initiative aimed at assisting developing countries to recover stolen assets that have been sent abroad by corrupt leaders.

In 2009, GPML, in a collaborative effort with the International Monetary Fund (IMF), finalized the revision of model legal provisions on AML/CFT and proceeds of crime for common law countries, encompassing worldwide AML/CFT standards and taking into account best legal practices.

GPML administers the Anti-Money Laundering International Database (AMLID) on the International Money Laundering Information Network (IMoLIN), an online, password-restricted, analytical database of national AML/CFT legislation that is available only to public officials. The database now contains legislation from some 181 jurisdictions. GPML also maintains an online AML/CFT legal library and issues a Central Asia Newsletter monthly in English and quarterly in Russian, as well as a West Africa Newsletter in English/French. IMoLIN (www.imolin.org) is a practical tool in daily use by government officials, law enforcement, and lawyers. GPML manages and constantly updates this database on behalf of the UN and 11 major international partners in the field of AML/CFT. The updated AMLID questionnaire reflects new money laundering trends and standards, and takes provisions related to terrorist financing and other new developments into account, including the revised FATF recommendations.

Major Money Laundering Countries

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

The 2010 INCSR identified money laundering priority jurisdictions and countries using a classification system that consists of three different categories: Jurisdictions of Primary Concern, Jurisdictions of Concern, and Other Jurisdictions Monitored.

"Jurisdictions of Primary Concern" are those that are identified, pursuant to INCSR reporting requirements, as "major money laundering countries." A major money laundering country is defined by statute as one "whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking." However, the complex nature of money laundering transactions today makes it difficult in many cases to distinguish the proceeds of narcotics trafficking from the proceeds of other serious crime. Moreover, financial institutions engaged in transactions that involve significant amounts of proceeds from other serious crimes are vulnerable to narcotics-related money laundering. The category "Jurisdiction of Primary Concern" recognizes this relationship by including all countries and other jurisdictions whose financial institutions engage in transactions involving significant amounts of proceeds from all serious crimes. Thus, the focus in considering whether a country or jurisdiction should be included in this category is on the significance of the amount of proceeds laundered, not of the anti-money laundering measures taken. This is a different approach taken than that of the Financial Action Task Force's 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 several factors that may include: (1) whether the country's financial institutions engage in transactions involving significant amounts of proceeds from serious crimes; (2) the extent to which the jurisdiction is or remains vulnerable to money laundering, notwithstanding its money laundering countermeasures, if any (an illustrative list of factors that may indicate vulnerability is provided below); (3) the nature and extent of the money laundering situation in each jurisdiction (e.g., whether it involves drugs or other contraband); (4) the ways in which the U.S. Government (USG) regards the situation as having international ramifications; (5) the situation's impact on U.S. interests; (6) whether the jurisdiction has taken appropriate legislative actions to address specific problems; (7) whether there is a lack of licensing and oversight of offshore financial centers and businesses; (8) whether the jurisdiction's laws are being effectively implemented; and (9) where U.S. interests are involved, the degree of cooperation between the foreign government and the USG. Additionally, given concerns about the increasing interrelationship between inadequate money laundering legislation and terrorist financing, terrorist financing is an additional factor considered in making a determination as to whether a country should be considered a "Jurisdiction of Concern" or an "Other Jurisdiction Monitored." 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 can 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 as "Jurisdictions of 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 Jurisdictions Monitored" category do not pose an immediate concern, it is nevertheless important to monitor their money laundering situations because, under certain circumstances, virtually any jurisdiction of any size can develop into a significant money laundering center.

Vulnerability Factors

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

- Failure to criminalize money laundering for all serious crimes or limiting the offense to narrow predicates.
- Rigid bank secrecy rules that obstruct law enforcement investigations or that prohibit or inhibit large value and/or suspicious or unusual transaction reporting by both banks and nonbank financial institutions.
- Lack of or inadequate "know your customer" requirements to open accounts or conduct financial transactions, including the permitted use of anonymous, nominee, numbered or trustee accounts.
- No requirement to disclose the beneficial owner of an account or the true beneficiary of a transaction.
- Lack of effective monitoring of cross-border currency movements.
- No reporting requirements for large cash transactions.
- No requirement to maintain financial records over a specific period of time.
- No mandatory requirement to report suspicious transactions or a pattern of inconsistent reporting under a voluntary system and a lack of uniform guidelines for identifying suspicious transactions.
- Use of bearer monetary instruments.
- Well-established 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 business and banking communities.
- Jurisdictions where the U.S. dollar is readily accepted, especially jurisdictions where banks and other financial institutions allow dollar deposits.
- Well-established access to international bullion trading centers in New York, Istanbul, Zurich, Dubai, and Mumbai.
- Jurisdictions where there is significant trade in or export of gold, diamonds, and other gems.
- Jurisdictions with large parallel or black market economies.
- Limited or no ability to share financial information with foreign law enforcement authorities.

Changes in INCSR Priorities for 2010

In 2010, there were no changes to the categorization of countries.

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

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

Countries and Jurisdictions Table

Countries/Jurisdictions of Primary Concern

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

Countries/Jurisdictions of Concern

Albania
Algeria
Angola
Argentina
Aruba
Azerbaijan
Bahrain
Bangladesh
Barbados
Belarus
Belgium
Bosnia and Herzegovina
British Virgin Islands
Bulgaria
Chile
Comoros
Cook Islands
Cote d'Ivoire
Czech Rep
Ecuador
Egypt
El Salvador
Ghana
Gibraltar
Grenada
Guyana
Honduras
Hungary
Iraq
Ireland
Jamaica
Jordan
Korea, North
Korea, South
Kuwait
Laos
Malaysia
Moldova
Monaco
Morocco
Netherlands Antilles
Nicaragua
Palau
Peru
Poland
Portugal
Qatar
Romania
Samoa
Saudi Arabia
Senegal
Serbia
Seychelles
Sierra Leone
Slovakia
South Africa
St. Kitts & Nevis
St. Lucia
St. Vincent
Suriname
Syria
Tanzania
Trinidad and Tobago
Turks and Caicos
Uzbekistan
Vanuatu
Vietnam
Yemen

Other Countries/Jurisdictions Monitored

Andorra
Anguilla
Armenia
Benin
Bermuda
Botswana
Brunei
Burkina Faso
Burundi
Cameroon
Cape Verde
Central African Republic
Chad
Congo, Dem Rep of
Congo, Rep of
Croatia
Cuba
Denmark
Djibouti
Dominica
East Timor
Equatorial Guinea
Eritrea
Estonia
Ethiopia
Fiji
Finland
Gabon
Gambia
Georgia
Guinea
Iceland
Kazakhstan
Kosovo
Kyrgyz Republic
Lesotho
Liberia
Libya
Lithuania
Macedonia
Madagascar
Malawi
Maldives
Mali
Malta
Marshall Islands
Mauritania
Mauritius
Micronesia FS
Mongolia
Montenegro
Montserrat
Mozambique
Namibia
Nauru
Nepal
New Zealand
Niger
Niue
Norway
Oman
Papua New Guinea
Rwanda
San Marino
Sao Tome & Principe
Slovenia
Solomon Islands
Sri Lanka
Swaziland
Sweden
Tajikistan
Togo
Tonga
Tunisia
Turkmenistan
Uganda
Zambia

Introduction to Comparative Table

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

Glossary of Terms

- 1. "Criminalized Drug Money Laundering": The jurisdiction has enacted laws criminalizing the offense of money laundering related to 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; "P" signifies permissible reporting.
- 6. "Egmont 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 that 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 is 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. “Nonbank 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”: States parties 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.
- 15. “Criminalized the Financing of Terrorism”: The jurisdiction has criminalized the provision of material support to terrorists and/or terrorist organizations.
- 16. “States Parties to the UN International Convention for the Suppression of the Financing of Terrorism”: States parties 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.

Comparative Table

Government/Jurisdiction	Criminalized Drug Money Laundering	Criminalized Beyond Drugs	Record Large Transactions	Maintain Records Over Time	Report Suspicious Transactions (NMP)	Egmont Financial Intelligence Units	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Cooperates w/International Law Enf.	International Transportation of Currency	Mutual Legal Assistance	Non-Bank Financial Institutions	Disclosure Protection "Safe Harbor"	Criminalized Financing of Terrorism	States Party to 1988 UN Convention	Intl. Terrorism Financing Convention
Afghanistan	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Albania	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Algeria	Y	Y	N	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Andorra	Y	Y	Y	Y	M	Y	Y	N	Y	N	Y	Y	Y	N	Y	Y
Angola	Y	N	N	N	N	N	N	N	N	N	Y	N	N	N	Y	N
Anguilla[1]	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	Y	Y
Armenia	Y	Y	N	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Aruba	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Australia	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Austria	Y	Y	N	Y	M	Y	Y	Y	Y	Y	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	Y	Y
Bahrain	Y	Y	N	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Bangladesh	Y	Y	N	Y	M	N	N	N	N	Y	Y	N	N	Y	Y	Y
Barbados	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Belarus	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Belgium	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Belize	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Benin	Y	Y	N	Y	M	N	Y	N	Y	Y	N	N	Y	N	Y	Y

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

Actions by Governments	Criminalized Drug Money Laundering	Criminalized Beyond Drugs	Record Large Transactions	Maintain Records Over Time	Report Suspicious Transactions (NMP)	Egmont Financial Intelligence Units	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Cooperates w/International Law Enf.	International Transportation of Currency	Mutual Legal Assistance	Non-Bank Financial Institutions	Disclosure Protection "Safe Harbor"	Criminalized Financing of Terrorism	States Party to 1988 UN Convention	Intl. Terrorism Financing Convention
Bermuda[1]	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Bolivia[2]	Y	Y	Y	Y	M	N	Y	N	N	Y	Y	N	Y	N	Y	Y
Bosnia & Herzegovina	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Botswana	Y	Y	Y	Y	M	N	Y	Y	Y	Y	Y	N	Y	N	Y	Y
Brazil	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y
Brunei Darussalam	Y	Y	N	Y	M	N	Y	N	Y	N	Y	Y	Y	Y	Y	Y
Bulgaria	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Burkina Faso	N	N	Y	Y	M	N	N	N	N	N	N	N	N	N	Y	Y
Burma	Y	Y	Y	Y	M	N	Y	N	Y	N	Y	Y	Y	N	Y	Y
Burundi	N	N	N	Y	N	N	Y	N	Y	Y	N	N	N	N	Y	N
Cambodia	Y	N	Y	Y	M	N	N	N	Y	Y	N	N	N	Y	Y	Y
Cameroon	Y	Y	Y	Y	M	N	Y	N	N	N	N	N	N	N	Y	Y
Canada	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Cape Verde	Y	Y		Y	M	N	Y	N			Y			N	Y	Y
Cayman Islands[1]	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Chad	Y	Y	Y	Y	M	N	Y	N	N	Y	N	N	N	N	Y	N
Chile	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
China (PRC)	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	N	Y	Y	Y
Colombia	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Comoros	Y	Y	N	Y	M	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Congo (Dem. Republic)	Y	Y	Y	Y	M	N	Y	N	N	N	N	Y	Y	Y	Y	Y

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

[2] Bolivia's FIU was suspended from membership in the Egmont Group on July 31, 2007

Actions by Governments	Criminalized Drug Money Laundering	Criminalized Beyond Drugs	Record Large Transactions	Maintain Records Over Time	Report Suspicious Transactions (NMP)	Egmont Financial Intelligence Units	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Cooperates w/International Law Enf.	International Transportation of Currency	Mutual Legal Assistance	Non-Bank Financial Institutions	Disclosure Protection "Safe Harbor"	Criminalized Financing of Terrorism	States Party to 1988 UN Convention	Intl. Terrorism Financing Convention
Congo (Republic)	Y	Y	Y	Y	M	N	N	N	N	N	Y	Y	Y	Y	Y	Y
Cook Islands	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Costa Rica	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y
Cote D'Ivoire	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	N	Y	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	Y	Y
Cyprus [1]	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Czech Republic	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Denmark	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Djibouti	Y	Y	Y	Y	M	N	Y	N	Y	N	Y	Y	Y	Y	Y	Y
Dominica	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Dominican Republic	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
East Timor	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
Ecuador	Y	Y	Y	Y	M	N	Y	Y	N	Y	Y	Y	N	N	Y	Y
Egypt	Y	Y	N	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
El Salvador	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Equatorial Guinea	Y	Y	Y	Y	M	N	N	N	N	N	N	N	N	N	N	Y
Eritrea	N	N	Y	Y	N	N	N	N	Y	Y	N	N	N	N	Y	N
Estonia	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Ethiopia	Y	Y	Y	Y	M	N	N	N	N	N	N	N	N	N	Y	N
Fiji	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Finland	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

[1] This information relates to the areas under the control of the Government of Cyprus.
The following data relate to the area administered by Turkish Cypriots.

Area administered by the Turkish Cypriots	Y	Y	Y	Y	M	N	N	N	N	Y	N	N			NA	NA

Actions by Governments	Criminalized Drug Money Laundering	Criminalized Beyond Drugs	Record Large Transactions	Maintain Records Over Time	Report Suspicious Transactions (NMP)	Egmont Financial Intelligence Units	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Cooperates w/International Law Enf.	International Transportation of Currency	Mutual Legal Assistance	Non-Bank Financial Institutions	Disclosure Protection "Safe Harbor"	Criminalized Financing of Terrorism	States Party to 1988 UN Convention	Intl. Terrorism Financing Convention
France	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Gabon	N	N	Y	Y	M	N	N	N	N	N	N	Y	N	N	Y	Y
Gambia	Y	Y	N	Y	M	N	Y	N	N	N	N	N	Y	N	Y	N
Georgia	Y	Y	Y	Y	M	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y
Germany	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Ghana	Y	Y	N	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Gibraltar[1]	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	N	N
Greece	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Grenada	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y
Guatemala	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Guernsey[1]	Y	Y	N	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Guinea	Y	N	N	N	N	N	N	N	N	Y	N	N	N	N	Y	Y
Guinea-Bissau	Y	Y	Y	Y	M	N	N	N	N	N	Y	Y	Y	Y	Y	Y
Guyana	Y	Y	N	Y	M	N	Y	N	N	Y	Y	N	Y	N	Y	Y
Haiti	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	N	Y	N
Honduras	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Hong Kong[2]	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y
Hungary	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Iceland	Y	Y	Y	Y	M	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y
India	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Indonesia	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Iran	N	N	N	Y	M	N	N	N	N	N	N	N	N	N	Y	N

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Actions by Governments	Criminalized Drug Money Laundering	Criminalized Beyond Drugs	Record Large Transactions	Maintain Records Over Time	Report Suspicious Transactions (NMP)	Egmont Financial Intelligence Units	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Cooperates w/International Law Enf.	International Transportation of Currency	Mutual Legal Assistance	Non-Bank Financial Institutions	Disclosure Protection "Safe Harbor"	Criminalized Financing of Terrorism	States Party to 1988 UN Convention	Intl. Terrorism Financing Convention
Iraq	Y	Y	Y	Y	M	N	Y	N	N	Y	N	Y	Y	Y	Y	N
Ireland	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Isle of Man[1]	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	Y	Y
Japan	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Jersey[1]	Y	Y	N	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N
Jordan	Y	Y	N	Y	M	N	Y	Y	N	Y	Y	Y	Y	Y	Y	Y
Kazakhstan	Y	N	N	Y	P	N	N	N	N	Y	Y	N	N	Y	Y	Y
Kenya	Y	N	Y	Y	P	N	N	N	Y	Y	Y	N	N	N	Y	Y
Korea (DPRK)	N	N	N	N	N	N	N	N	N	N	N	N	N	N	Y	N
Korea (Republic of)	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y
Kosovo	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	NA	NA
Kuwait	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	N	Y	N
Kyrgyzstan	Y	N	Y	Y	M	N	Y	N	N	N	Y	Y	Y	N	Y	Y
Laos	Y	Y	N	N	M	N	N	N	Y	Y	Y	Y	Y	Y	Y	Y
Latvia	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Lebanon	Y	Y	Y	Y	M	Y	Y	N	Y	N	Y	Y	Y	Y	Y	N
Lesotho	N	N	Y	Y	M	N	N	N	Y	N	Y	N	Y	N	Y	Y
Liberia	N	Y	N	Y	P	N	N	N	Y	Y	N	N	N	N	Y	Y
Libya	Y	Y	N	Y	M	N	N	N	N	N	N	Y	Y	N	Y	Y
Liechtenstein	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y

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Luxembourg	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y
Macau[1]	Y	Y	N	Y	M	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y
Macedonia	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Madagascar	Y	Y	N	Y	M	N	Y	N		N	Y	Y	Y	N	Y	Y
Malawi	N	N	Y	Y	P	N	N	N		N	N	N	N	N	Y	Y
Malaysia	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Maldives	Y	N	N	N	M	N	Y	N		N		Y	N	Y	Y	Y
Mali	Y	Y	N	Y	M	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y
Malta	Y	Y	N	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Marshall Islands	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y
Mauritania	Y	Y	Y	Y	P	N	Y	N	Y	N	Y	Y	Y	Y	Y	Y
Mauritius	Y	Y	N	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y
Mexico	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Micronesia	Y	Y	N	Y	M	N	Y	N	Y	N	Y	N	Y	N	Y	Y
Moldova	Y	Y	Y	Y	M	Y	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	Y
Mongolia	Y	N	N	Y	M	N	Y	N	N	N	N	Y	Y	Y	Y	Y
Montenegro	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Montserrat[2]	Y	Y	N	Y	M	N	Y	Y	Y	N	Y	Y	Y	Y	Y	N
Morocco	Y	Y	N	Y	M	N	N	N	Y	Y	Y	Y	Y	Y	Y	Y
Mozambique	Y	Y	Y	Y	M	N	Y	Y	Y	Y	Y	Y	Y	N	Y	Y
Namibia	Y	Y	Y	Y	M	N	Y	N	N	Y	Y	Y	Y	N	N	N

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Nauru	Y	Y	N	Y	M	N	Y	Y	Y	N	Y	Y	Y	Y	N	Y
Nepal	Y	N	N	Y	M	N	N	N	Y	Y	Y	Y	N	Y	Y	N
Netherlands	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Netherlands Antilles	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
New Zealand	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Nicaragua	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	N	N	Y	Y	Y
Niger	Y	Y	N	Y	M	N	Y	N	Y	N	N	Y	N	N	Y	Y
Nigeria	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Niue	Y	Y	N	Y	M	Y	Y	N	Y	N	Y	Y	Y	N	NA	NA
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	N	Y	N	Y	Y	Y	Y	Y	N
Pakistan	Y	Y	Y	Y	M	N	Y	N	N	N	Y	Y	Y	Y	Y	N
Palau	Y	Y	Y	Y	M	N	Y	Y	Y	Y	Y	Y	Y	Y	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	N	N	Y	Y	Y	Y	Y	N	Y	Y
Peru	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Philippines	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Poland	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y
Portugal	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Qatar	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y
Romania	Y	Y	Y	Y	M	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y
Russia	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y
Rwanda	N	N	N	N	P	N	N	N	Y	N	N	N	N	N	Y	Y
Samoa	Y	Y	Y	Y	M	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
San Marino	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y

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

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Tonga	Y	Y	Y	Y	M	N	Y	N	Y	Y	N	N	N	N	Y	Y
Trinidad & Tobago	Y	Y	Y	Y	M	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Tunisia	Y	Y	Y	Y	M	N	Y	N	Y	N	Y	Y	Y	Y	Y	Y
Turkey	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Turkmenistan	Y	Y	N	Y	M	N	Y	N	Y	Y	Y	N	N	Y	Y	Y
Turks & Caicos[1]	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N
Uganda	Y	N	N	N	M	N	N	N	Y	N	N	N	Y	Y	Y	Y
Ukraine	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
United Arab Emirates	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
United Kingdom	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	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	Y	Y	Y	Y	Y	Y	Y
Uzbekistan	Y	Y	N	Y	N	N	Y	N	Y	Y	Y	N	Y	Y	Y	Y
Vanuatu	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Venezuela	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y
Vietnam	Y	Y	Y	Y	M	N	Y	N	N	Y	Y	Y	N	N	Y	Y
Yemen	Y	Y	N	Y	M	N	N	N	Y	N	Y	Y	Y	Y	Y	Y
Zambia	Y	Y	N	Y	M	N	Y	N	Y	N	Y	N		N	Y	N
Zimbabwe	Y	Y	N	Y	M	N	Y	N	N	Y	N	N	N	Y	Y	Y

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Countries/Jurisdictions of Primary Concern

Afghanistan

Afghanistan's formal financial system is expanding rapidly while its traditional informal financial system remains significant in reach and scale. Afghanistan currently is experiencing massive outflows of currency to foreign countries---capital flight---which threatens its long-term financial stability and security. Hundreds of millions of dollars are transported out of the country through a variety means on an annual basis. At the same time, terrorist and insurgent financing, money laundering, cash smuggling, and other activities designed to finance organized criminal activity continue to pose a serious threat to the security and development of Afghanistan. Afghanistan remains a major drug trafficking and drug producing country and the illicit narcotics trade is the primary source of laundered funds. Despite ongoing efforts by the international community to build the capacity of Afghan police and customs forces, Afghanistan does not have the capacity at this time to consistently uncover and disrupt sophisticated financial crimes, in part because of few resources, limited capacity, little expertise and insufficient political will to seriously combat financial crimes. The most fundamental obstacles continue to be legal, cultural and historical factors that conflict with more Western-style proposed reforms to the financial sector. Public corruption is also a significant problem. Afghanistan ranks 179 out of 180 countries in Transparency International's 2009 Corruption Perception Index.

Offshore Center: No

Free Trade Zones:

No information available.

Criminalizes narcotics money laundering: Yes

Narcotics-related money laundering constitutes an offense under Article 3 of the Anti-Money Laundering and Proceeds of Crime Law No. 840 (AML Law). Afghanistan does not have explicit legislation criminalizing narcotics money laundering.

Criminalizes other money laundering, including terrorism-related: Yes

Afghanistan has criminalized money laundering under the AML Law, which is broadly-written, encompassing the laundering of proceeds of virtually any criminal offense. A predicate money laundering offense, as defined by the AML Law, means "any criminal offence, even if committed abroad, enabling its perpetrator to obtain proceeds." Article 3 of the AML Law criminalizes money laundering according to a list of actions which constitute an offense whether they are committed within Afghanistan or in another jurisdiction.

Criminalizes terrorist financing: Yes

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

Terrorist financing has been criminalized under the Law on the Combating the Financing of Terrorism No. 839 (CFT Law).

Know-your-customer rules: Yes

Articles 9-13 of the AML Law deal with rules regarding KYC policies. These articles cover responsibilities for covered institutions on acquiring and verifying customer identification (both natural and legal persons), due diligence measures for politically exposed persons, occasional customers, the

identification of customers in a series of related transactions, special monitoring of transactions, and consequences for failure to identify customers.

Bank records retention: Yes

Article 14 of the AML Law covers record keeping requirements for all covered institutions, including the maintenance of both domestic and international transactions for at least five years. Additionally, reporting entities are required to keep customer identification data for at least five years after the business relationship has ended.

Suspicious transaction reporting: Yes

Article 16 of the AML Law sets forth the legal requirements for covered institutions to report suspicious transactions. A reporting entity must submit a report when it suspects that any transaction (including an attempted transaction) is derived from the commission of an offense, or funds are to be used or linked to terrorism, terrorist groups or terrorist acts. Suspicious transaction reports (STRs) are submitted to the Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA), the financial intelligence unit (FIU) of Afghanistan.

Large currency transaction reporting: Yes

Under Article 15 of the AML Law reporting entities forward large cash transaction reports to FinTRACA. In 2008, approximately 22,000-25,000 large cash transaction reports were received. The FIU currently has approximately 500,000 large currency transaction reports in a secure database that can be searched using a number of criteria.

Narcotics asset seizure and forfeiture: Yes

The AML Law contains provisions authorizing the temporary freezing of accounts and transactions; the seizure of funds and property associated with a predicate offense of money laundering; and, the confiscation of such assets upon conviction of an offense of actual or attempted money laundering. In addition, the Afghan Counter Narcotics (CN) Law No. 875 (CN Law) provides for the forfeiture of assets acquired directly or indirectly from the commission of a narcotics offense under the CN Law. Assets directly or indirectly used, or intended to be used, in the commission of a CN offense also are subject to forfeiture. If assets subject to an order of forfeiture are unavailable, other assets of an equivalent value may be forfeited.

Narcotics asset sharing authority: Yes

Article 56 of the AML law provides for the disposal of confiscated funds and property per the request of foreign authorities. Afghanistan may conclude agreements with foreign countries to institutionalize the process or execute asset sharing on a case-by-case basis. Requests for confiscation apply to funds and proceeds—including corresponding value-- or instrumentalities of an offense under AML Law.

Cross-border currency transportation requirements: Yes

Customs and FinTRACA require incoming and outgoing passengers to fill out declaration forms when carrying cash or negotiable bearer instruments in an amount more than 1 million Afghanis (approximately $20,900) under Article 6 of the AML Law. There is no restriction on transporting any amount of declared currency. Customs is required to submit to FinTRACA all declaration forms once per month and notify FinTRACA five days after a seizure. If a passenger is found carrying undeclared cash or bearer instruments above the threshold, the money is seized and will be forfeited to the state pending conviction.

Cooperation with foreign governments:

The AML Law's chapters on "International Cooperation," "Extradition," and "Provisions common to requests for mutual assistance and requests for extradition" may be used in money laundering and terrorist financing cases. These chapters, and more specifically, Articles 51-73, outline the requirements and

procedures for making requests for mutual assistance and extradition in connection with offenses under both the AML Law and the CFT Law.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Money laundering and terrorist finance investigations in Afghanistan have been hampered by a lack of capacity, awareness, and political commitment. Corruption permeates all levels of Afghan government and society and directly impacts the lack of financial crimes enforcement.

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

Currently, only 3% of the Afghan community is banked. Afghanistan is widely served by the traditional and deeply entrenched hawala system, which provides a range of financial and non-financial business services in local, regional, and international markets. It is estimated that between 80 percent and 90 percent of all financial transfers in Afghanistan are made through hawala. Financial activities include foreign exchange transactions, funds transfers (particularly to and from neighboring countries with weak regulatory regimes for informal remittance systems), micro and trade finance, as well as some deposit-taking activities. Although the hawala system and formal financial sector are distinct, the two systems have links. Hawala dealers often keep accounts at banks and use wire transfer services, while banks will occasionally use hawaladars to transmit funds to hard-to-reach areas within Afghanistan. There are some 300 known hawala dealers in Kabul, with branches or additional dealers in each of the 34 provinces. There are approximately 1,500 dealers spread throughout Afghanistan that vary in size and reach. Given how widely used the hawala system is in Afghanistan, financial crimes – including terrorist financing - undoubtedly occur through these entities. However, no STRs have been submitted by money service provider (MSPs), including licensed hawaladars. This needs to be addressed immediately, while continuing to license the remaining 50%-60% of MSPs still operating outside the formal sector.

U.S.-related currency transactions:

There is a significant amount of U.S. currency in Afghanistan that is used in both the licit and illicit economies. Each week, the Afghan Central Bank auctions millions of U.S. dollars to influence the Afghan money supply. In 2008 alone, the Central Bank auctioned more than $1.2 billion to banks, money service providers, and individuals.

Records exchange mechanism with U.S.: Yes

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

FinTRACA and the Financial Crimes Enforcement Network (FinCEN), the FIU of the United States, have an exchange of letters outlining the procedure for information sharing between their respective units.

International agreements:

FinTRACA is a signatory to a number of information exchange agreements with other FIUs. FinTRACA is not a member of the Egmont Group.

Afghanistan is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism – Yes
- the UN Convention against Transnational Organized Crime – Yes
- the 1988 UN Drug Convention – Yes
- the Convention against Corruption - Yes

Afghanistan is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. The APG plans to conduct its first mutual evaluation of Afghanistan in the first quarter of 2010. Afghanistan is also an observer of the Eurasian Group on combating money laundering and financing of terrorism (EAG), a FATF-style regional body.

Recommendations:

The Government of the Islamic Republic of Afghanistan (GOA) has made progress over the past year in developing its overall anti-money laundering/counter-terrorist financing (AML/CFT) regime. Recent improvement includes encouraging steps at the FIU, an increase in the reporting of large cash transactions, active participation in international AML bodies, continued work to improve AML compliance awareness among Afghan banks, and development and integration of information technology systems. However, Afghanistan must commit additional resources and find the political will to aggressively combat financial crimes, including corruption. Increasing the capacity of the authorities to conduct onsite AML/CFT supervision of both the formal and informal banking sectors must be a priority. Specifically, the GOA must develop, staff, and fund a concerted effort to bring hawaladars into compliance in Kabul and other major areas of commerce. Afghanistan should also continue efforts to develop the investigative capabilities of law enforcement authorities in various areas of financial crimes, particularly money laundering and terrorist financing. Judicial authorities must also become proficient in understanding the various elements required for money laundering prosecutions. The FIU should become autonomous and increase its staff and resources. Afghan customs authorities should learn to recognize forms of trade-based money laundering. Border enforcement should be a priority, both to enhance scarce revenue and to disrupt narcotics trafficking and illicit value transfer.

Antigua and Barbuda

Antigua and Barbuda has comprehensive legislation in place to regulate its financial sector, but remains susceptible to money laundering due to its offshore financial sector and Internet gaming industry. As of 2008, Antigua and Barbuda had eight domestic banks, seven credit unions, seven money transmitters, 18 offshore banks, two trusts, three offshore insurance companies, 2,967 international business corporations (IBCs), and 20 licensed Internet gaming companies. Noted money laundering problems in Antigua and Barbuda appear to be generated by schemes involving investment fraud and advance fee fraud. Drug related matters have concerned not only narcotics but other controlled pharmaceutical substances being illicitly distributed over the Internet.

Offshore Center: Yes

The International Business Corporations Act of 1982 (IBCA), as amended, is the governing legal framework for offshore businesses in Antigua and Barbuda. Offshore financial institutions are exempt from corporate income tax. All licensed institutions are required to have a physical presence, which means presence of at least a full-time senior officer and availability of all files and records. Shell companies are not permitted.

Free Trade Zones: Yes

The Antigua and Barbuda Free Trade and Processing Zone was established by an Act of Parliament in 1994, based on the legal foundation enacted twelve years earlier, which set guidelines for the

establishment of IBCs in Antigua and Barbuda. The Zone is administered by a Commission, empowered by the Free Trade and Processing Zone Act No. 12 of 1994, to function as a private enterprise.

Criminalizes narcotics money laundering: Yes

The Money Laundering Prevention Act of 1996 (MLPA), as amended, is the cornerstone of Antigua and Barbuda's anti-money laundering legislation. The MLPA makes it an offense for any person to obtain, conceal, retain, manage, or invest illicit proceeds or bring such proceeds into Antigua and Barbuda if that person knows or has reason to suspect that they are derived directly or indirectly from any unlawful activity.

Criminalizes other money laundering, including terrorism-related: Yes

The Proceeds of Crime Act (Amendment) (POCA) entered into force on December 30, 2009. This regulation mandates that all serious offenses (defined as all offenses which carry a penalty of one year or more imprisonment) are specified activities for money laundering.

Criminalizes terrorist financing: Yes

The Government of Antigua and Barbuda (GOAB) enacted the Prevention of Terrorism Act 2001 (PTA), amended in 2005, to implement the UN conventions on terrorism. The GOAB amended the PTA in 2008 to provide the Supervisory Authority and the Office of National Drug and Money Laundering Control Policy (ONDCP) the power to direct a financial institution to freeze property for up to seven days while the authority seeks a freeze order from the court.

Know-your-customer rules: Yes

Financial institutions must undertake full customer identification procedures under the following circumstances: a) formation of a business relationship; b) carrying out a one-time transaction of EC $25,000 (approximately $9,900) or more; c) carrying out one-time wire transfers; d) if there is any suspicion that a onetime transaction involves money laundering or terrorist financing. Internet gaming companies also are required to enforce know-your-customer verification procedures.

Bank records retention: Yes

Financial institutions are required to maintain records for six years after an account is closed. Internet gaming companies also are required to maintain records relating to all gaming and financial transactions of each customer for six years.

Suspicious transaction reporting: Yes

Reporting institutions include banks, offshore banks, IBCs, money transmitters, credit unions, building societies, trust businesses, casinos, Internet gaming companies, and sports betting companies. The MLPA requires reporting entities to report suspicious activity whether a transaction was completed or not. The Office of National Drug and Money Laundering Control Policy Act, 2003 (ONDCP Act) establishes the ONDCP as the financial intelligence unit (FIU) which receives and analyzes suspicious transaction reports.

Large currency transaction reporting:

There is no reporting threshold imposed on banks and financial institutions. Internet gaming companies, however, are required by the Interactive Gaming and Interactive Wagering Regulations to report to the ONDCP all payouts over $25,000.

Narcotics asset seizure and forfeiture:

Both the MLPA and the POCA provide for the forfeiture, freezing and seizing of the proceeds of crime. Legislative provisions in relation to the freezing of funds used for terrorist financing are to be found mainly in the PTA. The MLPA also provides specifically for civil forfeiture procedures. The definition

of property in the MLPA does not expressly include income, profits or other benefits from the proceeds of crime. In the POCA, the definition of property is limited. However, the definition of 'proceeds of crime' includes benefits derived from unlawful activity and in this context the term can be said to cover income, profits and benefits. The term property is even more narrowly defined in the PTA. The Misuse of Drugs Act empowers the court to forfeit assets related to drug offenses. The ONDCP is responsible for tracing, seizing and freezing assets related to money laundering, and has the ability to direct a financial institution to freeze property for up to seven days, while it makes an application for a freeze order.

Narcotics asset sharing authority: Yes

The GOAB has entered into an asset sharing agreement with Canada and is currently working on asset sharing agreements with other jurisdictions, including the U.S. The director of ONDCP, with Cabinet approval, may enter into agreements and arrangements that cover matters relating to asset sharing with authorities of a foreign State. There are asset sharing agreements in place with some countries, while with others arrangements are negotiated on an ad hoc basis.

Cross-border currency transportation requirements: Yes

Under the MLPA, a person entering or leaving the country is required to report to the ONDCP whether he or she is carrying $10,000 or more. In addition, all travelers are required to fill out a customs declaration form indicating if they are carrying in excess of $10,000. If so, they may be subject to further questioning and possible search of their belongings by Customs officers.

Cooperation with foreign governments: Yes

The GOAB continues its bilateral and multilateral cooperation in various criminal and civil investigations and prosecutions.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

The ONDCP is the agency responsible for money laundering, terrorist financing and illegal drugs intelligence and investigations. The biggest challenge faced by the FIU is that the subjects of its money laundering investigations reside outside the jurisdiction, and therefore, conducting interviews may be difficult. There have been no investigations involving terrorist financing.

While a conviction for a predicate offense is not necessary for the initiation of money laundering proceedings, the majority of prosecutions are for predicate offenses only, and relatively few prosecutions have been brought under the MLPA. The reason for the latter may lie in the tripartite prosecutorial regime which permits prosecutions to be brought by the Director of Public Prosecutions (DPP), the Police Prosecuting Unit and the Supervisory Authority.

Because of Antigua and Barbuda's increased efforts to implement stricter standards to restrict the movement of value through the financial system, as well as to curb the physical, cross-border movement of illicit money, the use of trade-based money laundering methods has become a greater threat. The vulnerabilities of the international trade system to things such as over- and- under-invoicing of goods and services, over- and under-shipment of goods and services, and multiple invoicing of goods and services are a growing concern.

U.S.-related currency transactions:

Illicit proceeds from the transshipment of narcotics and from financial crimes occurring in the U.S. also are laundered in Antigua and Barbuda.

Records exchange mechanism with U.S.: Yes

In 1999, a Mutual Legal Assistance Treaty and an extradition treaty with the United States entered into force. The GOAB signed a Tax Information Exchange Agreement with the United States in December 2001.

International agreements:

The ONDCP has signed memoranda of understanding (MOUs) with its counterparts in Canada and Panama.

Antigua and Barbuda is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism -Yes
- the UN Convention against Transnational Organized Crime -Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

Antigua and Barbuda is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.cfatf-gafic.org/mutual-evaluation-reports.html

Recommendations:

The Government of Antigua and Barbuda (GOAB) should take steps to amend its legislation to cover intermediaries, enhanced due diligence for politically exposed persons (PEPs) and other high-risk customers, and to provide for enforceable provisions on the prohibition of correspondent accounts for or with shell banks. The GOAB also should implement and enforce all provisions of its anti-money laundering/counter-terrorist financing (AML/CFT) legislation, including the comprehensive supervision of its offshore sector and gaming industry. The ONDCP should be given direct access to financial institution records in order to effectively assess their AML/CFT compliance. Continued efforts should be made to enhance the capacity of law enforcement and customs authorities to recognize money laundering typologies that fall outside the formal financial sector, particularly trade-based money laundering. Continued international cooperation, particularly with regard to the timely sharing of statistics and information related to offshore institutions, and enforcement of foreign civil asset forfeiture orders will likewise enhance Antigua and Barbuda's ability to combat money laundering.

Australia

Australia is one of the major capital markets in the Asia-Pacific region. In 2007-08, Australia had the fastest growing foreign exchange market in the Asia-Pacific and seventh largest market in terms of global turnover. The Australian dollar (A$) was the sixth most traded currency. The Australian Stock Exchange is the 12th largest stock exchange in the world and, as of December 2008, the market capitalization of shares of domestic companies on the Australian Stock Exchange (ASX) was approximately $700 billion, the fourth largest in the Asia-Pacific region. In terms of share capital freely available to investors, the ASX is the eighth largest in the world. Australia has the third highest number of listed domestic companies in the Asia-Pacific.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Australia criminalized money laundering related to serious crimes with the enactment of the Proceeds of Crime Act (POCA) 1987.

Criminalizes other money laundering, including terrorism-related: Yes

The POCA 2002 repealed existing money laundering offenses and replaced them with updated offenses that have been inserted into the Criminal Code.

Criminalizes terrorist financing: Yes

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

In June 2002, Australia passed the Suppression of the Financing of Terrorism Act 2002 (SFT Act). It criminalizes terrorist financing and substantially increases the penalties that apply when a person uses or deals with suspected terrorist assets that are subject to freezing. The Anti-Terrorism Act (No.2) 2005 (AT Act), which took effect on December 14, 2006, amends offenses related to the funding of a terrorist organization in the Criminal Code so that they also cover the collection of funds for or on behalf of a terrorist organization. The AT Act also inserts a new offense of financing a terrorist.

Know-your-customer rules: Yes

The Anti-Money Laundering and Counter-Terrorism Financing Act (AML/CFT Act), as amended in April 2007, covers the financial sector, gaming sector, bullion dealers and any other professionals or businesses that provide particular "designated services." The Act imposes a number of obligations on entities, including customer due diligence, reporting obligations, and record keeping obligations. The AML/CFT Act will gradually replace the Financial Transaction Reports Act 1988 (FTR Act) which currently operates concurrently to the AML/CFT Act.

Bank records retention: Yes

Under provisions of the FTR Act, transaction records must be kept for at least seven years after the day the account is closed or the transaction takes place.

Suspicious transaction reporting: Yes

The FTR Act also establishes suspicious transaction reporting requirements for Australia's cash dealers. The SFT Act requires cash dealers to report suspected terrorist financing transactions to the Australian Transaction Reports and Analysis Centre (AUSTRAC), the Australian financial intelligence unit. During the 2008-09 Australian financial year, AUSTRAC received 43,565 suspicious transaction reports (STRs).

Large currency transaction reporting: Yes

The FTR Act establishes reporting requirements for Australia's cash dealers. Reporting requirements include cash transactions equal to or in excess of A$10,000 (approximately $9,200), and all international funds transfers into or out of Australia, regardless of value. The FTR Act reporting also applies to nonbank financial institutions, such as money exchangers, money remitters, stockbrokers, casinos and other gaming institutions, bookmakers, insurance companies, insurance intermediaries, finance companies, finance intermediaries, trustees or managers of unit trusts, issuers, sellers, and redeemers of travelers' checks, bullion sellers, and other financial services licensees. The FTR Act will continue to apply to entities who are not reporting entities under the AML/CFT Act. Solicitors (lawyers) are also required to report significant cash transactions. During the 2008-09 Australian financial year, AUSTRAC received 19,771,903 financial transaction reports.

Narcotics asset seizure and forfeiture:

The POCA 2002 enables the prosecutor to apply for the restraint and forfeiture of property from the proceeds of crime. The law further creates a national confiscated assets account from which, among other things, various law enforcement and crime prevention programs may be funded. The POCA 2002 (Consequential Amendments and Transitional Provisions) also provides for civil forfeiture of the proceeds of crime. The Australian Federal Police restrained A$37,831,143 (approximately $24,630,000) of which A$341,923 (approximately $6,082,000) was forfeited.

The POCA 2002 also enables freezing and confiscation of property used in, intended to be used in, or derived from, terrorism offenses. It is intended to implement obligations under the UN Convention for the Suppression of the Financing of Terrorism and resolutions of the UN Security Council relevant to the seizure of terrorism-related property.

Narcotics asset sharing authority: Yes

Under POCA 2002, recovered proceeds can be transferred to other governments through equitable sharing arrangements.

Cross-border currency transportation requirements: Yes

Australia has a system for reporting cross-border movements of currency above A$10,000. Cross-border movements of physical currency (CBM-PC) reports are primarily declared to the Australian Customs Service (ACS) by individuals when they enter or depart from Australia. This information is forwarded to AUSTRAC.

Cooperation with foreign governments (including refusals): Yes

No known impediments to cooperation with foreign governments.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues/comments:

Designated services provided by real estate agents, dealers in precious stones and metals, and specified legal, accounting, trust, and company services are not yet covered by reporting and record keeping requirements.

From July 2007 through mid-May 2008, the Commonwealth Director of Public Prosecutions reported that 68 indictments for money laundering were issued. The seven principles behind Australia's largest ever money laundering investigation were sentenced on December 17, 2009 to serve periods of imprisonment up to 12.5 years. They were charged with conspiring to launder up to A$68 million (approximately $62.5 million) of narcotics-related proceeds of crime. In all, 73 persons were charged and in excess of 50 convicted with money laundering and serious drug offenses.

U.S.-related currency transactions:

The US$-A$ is the fourth most traded currency pair.

Records exchange mechanism with U.S.:

In September 1999, a Mutual Legal Assistance Treaty between Australia and the United States entered into force. In January 1996, AUSTRAC and FinCEN signed a memorandum of understanding (MOU) to exchange information.

International agreements:

Australia is a party to various information exchange agreements with countries in addition to the United States. AUSTRAC has signed Exchange Instruments, mostly in the form of MOUs, allowing the exchange of financial intelligence the FIUs of 55 other countries.

Australia is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism: - Yes
- the UN Convention against Transnational Organized Crime: - Yes
- the 1988 UN Drug Convention: - Yes
- the UN Convention against Corruption: - Yes

Australia is a member of the Financial Action Task Force (FATF). It also serves as permanent co-chair, and hosts and funds the Secretariat of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Australia's most recent mutual evaluation can be found here: http://www.apgml.org/documents/docs/17/Australia%20ME2.pdf

Recommendations:

The GOA continues to pursue a comprehensive anti-money laundering/counterterrorist financing regime. The GOA should continue to work toward a second tranche of AML/CFT reforms, which will extend regulatory obligations to designated services provided by real estate agents, dealers in precious stones and metals, and specified legal, accounting, trust and company services. The GOA should continue its exemplary leadership role in emphasizing money laundering/terrorist finance issues and trends within the Asia/Pacific region (now expanding into Africa), and its commitment to providing training and technical assistance to the jurisdictions in that region. Having significantly enhanced its focus on AML/CFT deterrence, the GOA should increase its efforts to prosecute and convict money launderers.

Austria

Austria is a major regional financial center; and Austrian banking groups control significant shares of the banking markets in Central, Eastern and Southeastern Europe. According to the Austrian National Bank, Austria ranks among those countries with the highest numbers of banks and bank branches per capita in the world, with 867 banks total and one bank branch for every 1,630 people. Money laundering occurs within the Austrian banking system as well as in non-bank financial institutions and businesses. The volume of undetected organized crime may be enormous, with much of it reportedly coming from the former Soviet Union. Money laundered by organized crime groups derives primarily from serious fraud, smuggling, corruption, narcotics trafficking, and trafficking in persons. Theft, drug trafficking and fraud are the main predicate crimes in Austria according to the statistics of convictions and investigations. Austria is considered by EUROPOL as one of the four main destination countries for human beings trafficking in the European Union (EU). Criminal groups use various instruments to launder money, including remittance services, informal money transfer systems such as hawala, and the Internet.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

In Austria, Article 165 of the StGB sets forth the offense of money laundering, which includes narcotics trafficking as a predicate offense for money laundering. The offense was established in 1993 and amended several times.

Criminalizes other money laundering, including terrorism-related: Yes

With the notable exception of counterfeiting and piracy of products, predicate offenses include terrorist financing, all serious crimes carrying a minimum sentence of three years imprisonment as well as listed misdemeanors. The law is stricter for money laundering by criminal organizations and terrorist "groupings". Self-laundering is not criminalized in Austria as Article 165 limits the scope of the ML offenses to assets derived from the crime of another person. Effective September 1, 2009, the Government of Austria (GOA) amended and defined more precisely the strict new criminal regulations against corruption, also a predicate offense for money laundering.

Criminalizes terrorist financing: Yes

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

Austria criminalized terrorist "grouping," terrorist criminal activities, and financing of terrorism in 2002. The Criminal Code defines financing of terrorism as a separate criminal offense category, punishable in its own right. Terrorist financing is also included in the list of criminal offenses subject to domestic jurisdiction and punishment, regardless of the laws where the act occurred.

Know-your-customer rules: Yes

The Banking Act establishes customer identification and record keeping obligations for the financial sector. Entities subject to the Banking Act include banks, leasing and exchange businesses, safekeeping services, and portfolio advisers. The law requires financial institutions to identify all customers when beginning an ongoing business relationship. In addition, the Banking Act requires customer identification for all transactions of at least 15,000 Euros (approximately $21,150) for non-customers. Moreover, all transactions on passbook savings accounts of at least 15,000 Euros (approximately $21,150) require identification of all customers. Trustees of accounts must appear personally and disclose the identity of the account beneficiary. Banking Act regulations require institutions to determine the identity of beneficial owners and introduce risk-based customer analysis for all customers. Financial institutions require customer identification for all fund transfers of 1,000 Euros (approximately $1,400) or more.

Bank records retention: Yes

Austrian law requires financial institutions to retain identification documents for at least five years after the termination of the business relationship and documentation and records of all transactions for a period of at least five years after their execution.

Suspicious transaction reporting: Yes

All obligated entities must file a suspicious transaction report (STR) in all cases of "suspicion or probable reason to assume" that a transaction serves the purpose of money laundering or terrorist financing, or that a customer has violated his duty to disclose trustee relationships. STRs are filed with Austria's financial intelligence unit (FIU). By mid-November 2009, the FIU had received approximately 1,100 STRs.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture:

Since 1996, legislation has provided for asset seizure and the confiscation and forfeiture of illegal proceeds, however, in practice this does not seem to work effectively, given the low amounts thus far seized or forfeited/confiscated. Austria has regulations in the Code of Criminal Procedure that are similar to civil forfeiture in the U.S. In connection with money laundering, organized crime and terrorist financing, all assets are subject to seizure and forfeiture, including bank assets, other financial assets, cars, legitimate businesses, and real estate. Courts may freeze assets in the early stages of an investigation. In 2008, Austrian courts froze assets worth more than 12 million Euros (approximately $16,900,000) on interim injunctions.

Narcotics asset sharing authority:

Austria has not enacted legislation that provides for sharing forfeited narcotics-related assets with other governments. A bilateral U.S. - GOA agreement on sharing of forfeited assets is pending signature in both the U.S. and Austria.

Cross-border currency transportation requirements: Yes

The Customs Procedures Act and the Tax Crimes Act address cash couriers and international transportation of currency and monetary instruments from illicit sources. Austrian customs authorities do not automatically screen all persons entering Austria for cash or monetary instruments. However, to implement the EU regulation on controls of cash entering or leaving the EU, the GOA requires an oral or written declaration for cash amounts of 10,000 Euros (approximately $14,100) or more. This declaration, which includes information on source and use, must be provided when crossing an external EU border.

Spot checks for currency at border crossings and on Austrian territory do occur. Customs officials have the authority to seize suspect cash, and will file a report with the FIU in cases of suspected money laundering.

Cooperation with foreign governments:

Austria may provide a range of measures of mutual assistance in AML/CFT investigations initiated by other countries. These measures may be granted on the basis of multilateral or bilateral agreements as well as, where no such agreement exists, on the basis of reciprocity.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Reportedly, the most significant money laundering problems faced by Austria are money remittance systems, offshore business and *hawala*. Austrian authorities should try to improve enforcement to tackle these various and complex methods used by criminals to launder their funds.

Bearer shares are permitted in Austria for banks and for non-banks.

All customs declaration forms are stored in hard copy at separate customs offices throughout Austria and there is currently no central database where these reports can be stored and analyzed for potential criminal activity.

The number of convictions for drug trafficking, theft, smuggling, corruption and bribery decreased sharply since 2004. There were 18 money laundering convictions in 2007 and seven in 2008.

Austrian authorities distribute to all financial institutions the names of suspected terrorists and terrorist organizations listed on the UN 1267 Sanctions Committee's consolidated list, as well as the list of Specially Designated Global Terrorists that the United States has designated pursuant to Executive Order 13224, and those distributed by the EU to members. According to the Ministry of Justice and the FIU, no accounts found in Austria have shown any links to terrorist financing.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

Austria exchanges information on criminal matters through its mutual legal assistance treaty (MLAT) with the United States, which entered into force August 1, 1998. Through the MLAT, the two countries are able to exchange financial intelligence and cooperate on a variety of money laundering and financial crimes matters. The Austrian FIU exchanges information regularly with the FIU of the United States, FinCEN.

International agreements:

Austria is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism -Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

Austria is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here:

http://www.fatf-gafi.org/dataoecd/22/50/44146250.pdf

Recommendations:

The Government of Austria (GOA) should criminalize self-laundering. It should also ease legal restrictions to allow authorities to have access to information held by financial institutions and legal professionals. Similarly, it should extend the FIU's functions, allowing it access to appropriate records of other governmental bodies. Austria should also take steps to be sure customs declaration forms are available to the FIU and appropriate law enforcement agencies. The GOA should strengthen licensing requirements and sanctions for financial institutions. The GOA should widen the scope of customer diligence obligations and ensure adequate transparency of beneficial ownership of legal persons and legal arrangements, including the elimination of bearer shares.

Bahamas

The Commonwealth of The Bahamas is an important regional and offshore financial center. The gross domestic product (GDP) of The Bahamas is heavily reliant upon tourism and tourist driven construction. Eighty percent of tourists who visit The Bahamas are from the United States. The Bahamas is a transshipment point for cocaine bound for the United States and Europe. Money laundering trends include the purchase of real estate, large vehicles and jewelry, as well as the processing of money through a complex web of legitimate businesses, and international business companies registered in the offshore financial sector. Strict know your customer (KYC) laws make it difficult for money launderers to penetrate the Bahamian financial sector.

Offshore Center: Yes

The Bahamas is considered an offshore financial center. Offshore financial institutions include banks and trust companies, insurance companies, securities firms and investment fund administrators, financial and corporate service providers, cooperatives, and societies. There are approximately 160,000 registered international business companies, only 44,000 of which are active.

Free Trade Zone: Yes

The Bahamas has one free trade zone located in Freeport.

Criminalizes narcotics money laundering: Yes

The Proceeds of Crime Act, 2000 criminalizes three main money laundering offenses: the transfer or conversion of property with the intent to conceal or disguise the property; assisting another to conceal the proceeds of criminal conduct; and the acquisition, possession or use of the proceeds of crime.

Criminalizes other money laundering, including terrorism-related: Yes

See above. Additionally, the Anti-Terrorism Act of 2004 (ATA), as amended in 2008, addresses terrorism-related activity.

Criminalizes terrorist financing: Yes

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

The Anti-Terrorism Act of 2004 as amended in 2008.

Know-your-customer rules: Yes

The Financial Transaction Reporting Act, 2000 (FTRA), as amended in 2008, establishes KYC requirements. The FTRA requires the verification of the identity of any customer before establishing a business relationship; executing transactions exceeding $15,000; executing structured transactions in the amount exceeding $15,000; when it is known or suspected a

customer's transaction is the proceeds of crime; when there is doubt of a customer's identity; and when transactions are conducted on behalf of a third party.

Bank records retention: Yes

Financial institutions must retain records for a minimum of five years.

Suspicious transaction reporting: Yes

Reporting was established by the FTRA. The 2004 ATA provides for the reporting of suspicious transactions related to terrorist financing. Covered entities include banks and trust companies, insurance companies, securities firms and investment fund administrators, financial and corporate service providers, cooperatives, and societies. Regulated designated non-financial businesses and professions include casinos; lawyers; accountants; real estate agents; and company service providers. Dealers in precious metals and stones are not included. The Bahamian financial intelligence unit (FIU) received approximately 129 STRs in 2008.

Large currency transaction reporting: Yes

Transactions of $10,000 or greater are reported to the Central Bank.

Narcotics asset seizure and forfeiture:

The Bahamas is able to trace, freeze and seize assets. During 2009, nearly $4 million in cash and assets were seized or frozen.

The ATA, as amended in 2008, implements the provisions of UN Security Council Resolution 1373 and provides for the seizure and confiscation of terrorist assets. The 2008 amendments clarify aspects of the legislation and further comply with UN Conventions related to terrorist financing.

Narcotics asset sharing authority: Yes

Seized assets may be shared with other jurisdictions on a case by case basis. Several recent successful cases involving asset sharing have occurred between the United States and The Bahamas resulting in large amounts being shared by each government.

Cross-border currency transportation requirements: No

Persons entering The Bahamas are not required to provide a written declaration.

Cooperation with foreign governments (including refusals): Yes

There are no legal issues which would hamper the Bahamian government's ability to assist foreign governments in mutual legal assistance requests.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

No implementation issues were noted.

U.S.-related currency transactions:

The Bahamian dollar is pegged to the U.S. dollar at an exchange rate of one. The U.S. dollar and the Bahamian dollar are universally accepted in The Bahamas. The Bahamas receives a large influx of U.S. dollars from the tourism industry.

Records exchange mechanism with U.S.:

The Bahamas and the United States are parties to a bilateral mutual legal assistance treaty which entered into force in 1990 and provides for exchange of information. The Financial Crimes Enforcement Network (FinCEN) and the Bahamian FIU share information on a routine basis. The Bahamas has an information exchange agreement with the U.S. Securities and Exchange Commission to ensure that requests can be completed in an efficient and timely manner.

International agreements:

The Bahamas is a party to various information exchange agreements with countries in addition to the United States; authorities can share information or provide assistance to foreign jurisdictions in matters relating to money laundering or other financial crimes without need for a treaty.

The Bahamas is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

The Bahamas is a member of the Caribbean Financial Action Task Force, (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.cfatf-gafic.org/mutual-evaluation-reports.html

Recommendations:

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

Belize

Belize is not a major regional financial center. In an attempt to diversify Belize's economic activities, authorities have encouraged the growth of offshore financial activities that are vulnerable to money laundering, and continue to offer financial and corporate services to non-residents in the offshore financial sector. Belizean officials suspect that money laundering occurs primarily within that sector. Belize has pegged the Belizean dollar to the U.S. dollar. There is a significant black market for smuggled goods in Belize.

Offshore Center: Yes

Belize is considered an offshore financial center. Offshore banks, international business companies, and trusts are authorized to operate from within Belize, although shell banks are prohibited within the jurisdiction. The Offshore Banking Act, 1996 governs activities of Belize's offshore banks. By law, offshore banks cannot serve customers who are citizens or legal residents of Belize. To legally operate, all offshore banks must be licensed by the Central Bank of Belize and be registered with the International Business Companies (IBCs) registry. Before the Central Bank issues the license, the Central Bank must verify shareholders' and directors' backgrounds, ensure the adequacy of capital, and review the bank's business plan. Presently, there are six licensed offshore banks, approximately 40,000 active registered IBCs, 15 licensed offshore insurance companies, five mutual fund companies, and 26 trust companies and agents operating in Belize. Belize does not have offshore casinos.

Free Trade Zones: Yes

There are two free trade zones (called Commercial Free Zones or CFZs) operating in Belize. There is a large one at the border with Mexico, the Corozal Commercial Free Zone, and a small one at the western border with Guatemala, the Benque Viejo Free Zone. There are also designated free trade zones in Punta Gorda and Belize City, but they are not operational. Commercial free zone (CFZ) businesses are allowed to conduct business within the confines of the CFZ, provided they have been approved by the Commercial Free Zone Management Agency (CFZMA) to engage in business activities. All merchandise, articles, or other goods entering the CFZ for commercial purposes are exempted from the national customs regime. However, any trade with the national customs territory of Belize is subject to the national Customs and Excise law. The CFZMA, in collaboration with the Customs Department and the Central Bank of Belize, monitors the operations of CFZ business activities.

The CFZs generate a significant volume of cash transactions, much of which is not subject to auditing. This vulnerability could allow for the entrance of illicit cash into the formal financial system if not monitored closely. There have been incidents involving the import of counterfeit goods, and, more recently, pharmaceuticals, such as ephedrine and pseudoephedrine, within the CFZs.

Criminalizes narcotics money laundering: Yes

The Money Laundering (Prevention) Act (MLPA), as amended in 2002, criminalizes money laundering related to many serious crimes, including drug trafficking, forgery, terrorism, blackmail, arms trafficking, kidnapping, fraud, illegal deposit taking, false accounting, counterfeiting, extortion, robbery, and theft. Other legislation to combat money laundering includes the Money Laundering Prevention Guidance Notes; the Financial Intelligence Unit Act, 2002; the Misuse of Drugs Act; The International Financial Services Practitioners Regulations (Code of Conduct), 2001 (IFSPR); Money Laundering Prevention Regulations 1998 (MLPR); and the Offshore Banking Act, 2000, renamed the International Banking Act, 2002 (IBA).

Criminalizes other money laundering, including terrorism-related: Yes

See above.

Criminalizes terrorist financing: Yes

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

Belize criminalizes terrorist financing via amendments to its anti-money laundering legislation, The Money Laundering (Prevention) (Amendment) Act, 2002.

Know-your-customer rules: Yes

Licensed banks and financial institutions are required to establish due diligence provisions and monitor their customers' activities.

Bank records retention: Yes

Belizean law obligates banks and other financial institutions to maintain business transaction records for at least five years.

Suspicious transaction reporting: Yes

Suspicious transactions are reported, primarily by banks and credit unions. Reports from the other obligated entities are almost non-existent. Financial institutions are required to pay special attention to all complex, unusual, or large transactions or patterns of transactions, whether completed or not, and to insignificant but periodic transactions, which have no apparent economic or lawful purpose. If there is reasonable suspicion that the transactions described above could constitute or be related to money

laundering, a financial institution is required to report the suspicious transactions to the FIU. There were 78 suspicious transaction reports (STRs) filed during 2009. Six became the subject of investigations.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture: Yes

Belize law provides for the tracing, freezing, and seizure of assets and makes no distinctions between civil and criminal forfeitures. The Money Laundering (Prevention) (Amendment) Act 5 of 2002 provides for the freezing of funds and other financial assets of terrorists and money launderers. All forfeitures resulting from money laundering or terrorist financing are treated as criminal forfeitures. The banking community cooperates fully with enforcement efforts to trace funds and seize assets. The FIU and the Belize Police Department are the entities responsible for tracing, seizing, and freezing assets related to money laundering or terrorist financing, and may do so with prior court approval, though the Ministry of Finance can also confiscate frozen assets.

Narcotics asset sharing authority:

Belizean law states that it is up to the discretion of the Minister of Finance to decide what to do with seized assets; there is nothing in the law prohibiting the GOB from sharing seized assets with foreign governments. Currently, the GOB is not engaged in any bilateral or multilateral negotiations with other governments to enhance asset tracking and seizure. However, the GOB cooperates with the efforts of foreign governments to trace or seize assets related to financial crimes.

Cross-border currency transportation requirements: Yes

The reporting of all cross-border currency movement is mandatory. All individuals entering or departing Belize with more than $5,000 in cash or negotiable instruments are required to file a declaration with the authorities at Customs, the Central Bank, and the FIU.

Cooperation with foreign governments: Yes

The Money Laundering (Prevention) (Amendment) Act of 2002 requires the GOB to cooperate with the appropriate authority of another jurisdiction to provide assistance in matters concerning money laundering offenses within the limits of their respective legal systems. This includes requests related to asset identification and forfeiture.

On several occasions, the FIU has cooperated with the United States on investigations of financial crimes.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

In 2009, Belize arrested nine persons in connection with money laundering and seized over $750,000. Two major cases are currently before the courts, but there have been no convictions to date. Approximately $8,500,000 has been frozen pending the outcome of the cases.

Alternative remittance systems are illegal in Belize. However, Belizean authorities acknowledge the existence and use of indigenous alternative remittance systems that bypass, in whole or part, financial institutions, and these systems have not yet been deterred through fines or criminal prosecution.

Internet gaming is regulated by a Gaming Control Board, which is guided by the Gaming Control Act. There is one licensed internet gaming site, but there are an undisclosed number of Internet gaming sites illegally operating from within the country. In addition, many cases of money laundering in the country are related to the proceeds from U.S. residents participating in unlawful Internet gaming.

GOB authorities have circulated the names of suspected terrorists and terrorist organizations listed on the United Nations (UN) 1267 Sanctions Committee's consolidated list and the list of Specially Designated Global Terrorists designated by the United States, pursuant to Executive Order (E.O.) 13224 to all financial institutions in Belize. The GOB did not identify, freeze, seize, and/or forfeit any assets related to terrorist organizations/financiers in 2009.

U.S.-related currency transactions:

GOB officials have reported an increase in financial crimes, such as bank fraud, cashing of forged checks, suspicious transactions, and counterfeit Belizean and United States currency.

These financial crimes are often conducted in U.S. currency or monetary instruments (i.e., U.S. denominated checks or other instruments).

Records exchange mechanism with U.S.:

Belize has signed and ratified a Mutual Legal Assistance Treaty with the United States. It entered into force in 2003. The FIU is empowered to share information with FIUs in other countries.

International agreements:

Belize is a party to various information exchange agreements with countries, and authorities can share information or provide assistance to foreign jurisdictions in matters relating to money laundering or other financial crimes without an agreement or a treaty.

Belize is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - No

Belize is a member of Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.cfatf-gafic.org/mutual-evaluation-reports.html

***Recommendations*:**

The Government of Belize (GOB) should take steps to address the vulnerabilities in its supervision of alternative remittance systems that bypass financial institutions and of the gaming sector, including Internet gaming facilities. It should do the same regarding its offshore sector. Belize should immobilize bearer shares and ensure the offshore sector complies with anti-money laundering and counter-terrorist financing reporting requirements. The GOB should also become a party to the UN Convention against Corruption.

Bolivia

Although Bolivia is not a regional financial center, money laundering activities continue to take place. These illicit financial activities are related primarily to narcotics trafficking, public corruption, smuggling and trafficking of persons, as well as Bolivia's long tradition of bank secrecy and the lack of effective government oversight of non-bank financial activities. Most entities that move money in Bolivia continue to be unregulated. Hotels, currency exchange houses, illicit casinos, cash transporters, informal exchange houses, and wire transfer businesses are known to transfer money freely into and out of Bolivia without being subject to anti-money laundering controls. The ultimate result is the easy laundering of the profits of organized crime and narcotics trafficking, the evasion of taxes, and the laundering of other illegally obtained earnings.

Offshore Center: No

Free Trade Zones: Yes

Bolivia has 13 free trade zones for commercial and industrial use. Free trade zones are located in EI Alto, Cochabamba, Santa Cruz, Oruro, Puerto Aguirre, and Desaguadero.

Criminalizes narcotics money laundering: Yes

The current anti-money laundering law is based on Article 185 of Law 1768 of 1997. Law 1768 modifies the penal code and criminalizes money laundering related only to narcotics trafficking offenses, organized criminal activities, and public corruption. Article 185, however, cannot be applied unless the prosecution demonstrates in court that the accused participated in and was convicted of the predicate crime.

Criminalizes other money laundering, including terrorism-related: Yes

As indicated above, the law addresses other offenses, but it is limited and does not include terrorism-related crimes.

Criminalizes terrorist financing: No

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

Although terrorist acts are criminalized under the Bolivian Penal Code, the Government of Bolivia (GOB) lacks actual statutes that specifically criminalize the financing of terrorism or that grant the GOB authority to identify, seize, or freeze terrorist assets.

Know-your-customer rules: Yes

Under Supreme Decree 24771, obligated entities such as banks, insurance companies and securities brokers are required to identify their customers.

Bank records retention: Yes

Under Supreme Decree 24771, obligated entities are required to retain records of transactions for a minimum of ten years.

Suspicious transaction reporting: Yes

Supreme Decree 24771 obligates entities to report to the financial intelligence unit (FIU), the *Unidad de Investigaciones Financieras* (UIF), all transactions considered unusual (without apparent economic justification or licit purpose) or suspicious (customer refuses to provide information or the explanation and/or documents presented are clearly inconsistent or incorrect).

Large currency transaction reporting: Yes

The GOB's Superintendent of Banks recently mandated that national banks report any cash transactions in excess of $10,000 to the UIF.

Narcotics asset seizure and forfeiture: Yes

Law 1768 defines the application of asset seizure beyond drug-related offenses. While traditional asset seizure is employed by counter-narcotics authorities, the ultimate forfeiture of assets continues to be problematic. The Directorate General for Seized Assets (DIRCABI) is responsible for confiscating, maintaining, and disposing of the property of persons either accused or convicted of violating Bolivia's narcotics laws. In October 2008 draft asset seizure and forfeiture legislation was submitted to congress and is still being considered.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: Yes

As of August 2008, Supreme Decree No. 29681 obligates every natural or corporate person, public or private, domestic or foreign, to declare any incoming or outgoing currency and register the declaration with customs on a provided form. No threshold amount is provided. The same decree states that physical transportation of currency from Bolivia, as well as importation of currency into Bolivia, between $50,000 and $500,000 must be authorized by the Central Bank of Bolivia. Additionally, the decree states all transactions reported to customs in excess of $10,000 must be reported to the UIF on a monthly basis.

Cooperation with foreign governments:

Bolivia cooperates with foreign jurisdictions on financial crimes investigations on a case-by-case basis.

U.S. or international sanctions or penalties: Yes

In July 2007, as a result of Bolivia's lack of terrorist financing legislation, the UIF received a "Letter of Suspension" from the Egmont Group of FIUs. The GOB's continued lack of terrorist financing legislation resulted in Bolivia's expulsion from the Egmont Group in December 2008 – an unprecedented move by the Egmont Group. The expulsion bars the UIF from participating in Egmont meetings or using the Egmont Secure Web (the primary means of information exchange among Egmont member FIUs). To regain Egmont membership, Bolivia must criminalize terrorist financing, reapply to Egmont and provide written evidence of the UIF's compliance with Egmont requirements.

The Financial Action Task Force of South America (GAFISUD), a Financial Action Task Force (FATF)-style regional body, placed sanctions on Bolivia in July 2007 as a result of the GOB's failure to pay three years of its membership dues. The GOB has since paid its arrears to GAFISUD and the sanctions were lifted in November 2009.

Enforcement and implementation issues and comments:

The expulsion of U.S. Drug Enforcement Agency (DEA) agents from the country in November 2008 has seriously diminished the effectiveness of several financial investigative groups operating in the country, including Bolivia's Financial Investigative Team (EIF), the Bolivian Special Counternarcotics Police (FELCN), and the Bolivian Special Operations Force (FOE). Most money laundering investigations continue to be in the Department of Santa Cruz and are associated with narcotics trafficking organizations. During the period January – October 2009, the EIF reported ten new money-laundering cases and a total of approximately $18.245 million in related assets seized.

Corruption remains a serious issue in Bolivia. In the past, allegations against high-ranking law enforcement and other GOB officials were routinely dismissed without further investigation. While some improvement in the effectiveness of investigations is apparent, few cases are fully prosecuted. As of October 2009, the Bolivian National Police's Office of Professional Responsibility (OPR) reports it investigated a total of 2,753 cases in 2009 involving allegations of misconduct and/or impropriety by Bolivian National Police officers.

The UIF has endured substantial turmoil since 2006, when the GOB issued Supreme Decree 28695 proposing the replacement of Bolivia's UIF with a new "Financial and Property Intelligence Unit" focused on combating corruption rather than money laundering. Although the new unit was never created, the decree resulted in the UIF losing a significant amount of its staff. The continued lack of personnel, combined with inadequate resources and weaknesses in Bolivia's basic legal and regulatory framework limits the UIF's reach and effectiveness. Given the UIF's limited resources relative to the size of Bolivia's financial sector, compliance with reporting requirements is extremely low. The exchange of information between the UIF and appropriate police investigative entities is also limited or, in most cases, non-existent. In December 2009, the Bolivians indicated the UIF had hired more analysts, received training from the international community, increased the number of obligated entities, and received 280 suspicious transaction reports.

U.S.-related currency transactions:

The Bolivian financial system is highly dollarized, with approximately 66 percent of deposits and loans distributed in U.S. dollars rather than Bolivians, the local currency.

Records exchange mechanism with U.S.:

Bolivia does not have a mutual legal assistance treaty with the United States.

International agreements:

Bolivia is a party to the Inter-American Convention on Mutual Assistance in Criminal Matters.

Bolivia is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

Bolivia is a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group on Money Laundering. Bolivia is also a member of the GAFISUD.

Recommendations:

The Government of Bolivia (GOB) should take all necessary steps to ensure that draft anti-money laundering legislation is enacted and conforms to international standards. Among the most important legislative adjustments, it is imperative the GOB criminalize terrorist financing and allow for the blocking of terrorist assets. Doing so is not only mandated by Bolivia's commitments as a member of the United Nations and GAFISUD, but could improve the likelihood that the UIF may successfully re-apply for Egmont Group membership.

In addition, money laundering should be an autonomous offense without requiring prosecution for the underlying predicate offense, and unregulated sectors, particularly designated non-financial businesses and persons, should be subject to anti-money laundering and counterterrorist financing controls.

Brazil

Brazil is the world's fifth largest country in size and population, and as of 2009 its economy is the tenth largest in the world. Brazil is considered a regional financial center for Latin America. It is also a major drug-transit country. Brazil maintains some controls of capital flows and requires disclosure of the ownership of corporations. Money laundering in Brazil is primarily related to domestic crime, especially drug trafficking, corruption, organized crime, gambling, trade in various types of contraband, and also to proceeds coming from the Tri-Border Area (TBA) of Brazil, Argentina, and Paraguay. Laundering channels include the use of banks, real estate investment, financial asset markets, luxury goods, remittance networks, informal financial networks, and trade-based money laundering. An Inter-American Development Bank study of money laundering in the region found that Brazil's incidence of money laundering is below average for the region.

The TBA is a widely recognized source of money laundering and terrorist financing. In addition to weapons and narcotics, a wide variety of counterfeit goods, including CDs, DVDs, and computer software (much of it of Asian origin), are routinely smuggled across the border from Paraguay into Brazil. In addition to the TBA, other areas of the country are also of growing concern. The Government of Brazil (GOB) and local officials in the states of *Mato Grosso do Sul* and *Parana*, for example, have reported increased involvement by Rio de Janeiro and Sao Paulo gangs in the already significant trafficking in weapons and drugs that plagues the states in the TBA

Offshore Center: No

Free Trade Zones: Yes

The GOB has granted tax benefits for certain free trade zones. The most prominent of these is the Manaus Free Trade Zone, in Amazonas State, which has attracted significant foreign investment, including from U.S. companies. Most of these free trade zones aim to attract investment to the North and Northeast of Brazil.

Criminalizes narcotics money laundering: Yes

Brazil's first anti-money laundering legislation was enacted in 1998 and has since been amended by subsequent legislation, decree and regulation.

Criminalizes other money laundering, including terrorism-related: Yes

Law 9.613 criminalizes money laundering related to drug trafficking, terrorism, arms trafficking, extortion by kidnapping, public administration, the national financial system and organized crime. Subsequent modifications to the law and associated regulations criminalize the corruption or attempted corruption of foreign public officials involving international commercial transactions, and establish terrorist financing as a predicate offense for money laundering. The current legal regime also establishes crimes against foreign governments as predicate offenses.

Criminalizes terrorist financing: Yes

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

Law 10.701 of 2003 amends Law 9.613 of 1998 to include the financing of terrorism as a predicate offense for money laundering. Terrorist financing is not an autonomous offense in Brazil, although a bill awaiting legislative action contains language effecting that change.

Know-your-customer rules: Yes

Entities under the authority of the Central Bank, the Securities Commission (CVM), the Private Insurance Superintendence (SUSEP), and the Office of Supplemental Pension Plans (PC), are required to know and record the identity of customers. Brazil's financial intelligence unit (FIU), the Council for the Control of Financial Activities (COAF) directly regulates and receives information from those financial sectors not already supervised by another entity, such as commodities traders, real estate brokers, credit card companies, money remittance businesses, factoring companies, gaming and lottery operators, bingo parlors, dealers in jewelry and precious metals, and dealers in art and antiques.

Bank records retention: Yes

Entities supervised by the authorities named directly above are required to maintain identifying information obtained during account opening. The current legal regime also requires the Central Bank to create and maintain a registry of information on all bank account holders.

Suspicious transaction reporting: Yes

Supervised entities are required to file suspicious transaction reports (STRs) with their respective regulator, which passes them to COAF. The FIU also receives STRs from the entities it directly regulates.

Large currency transaction reporting: Yes

In addition to filing STRs, banks are required to inform the Central Bank of institutional transactions exceeding 100,000 Reais (approximately $55,000) and "unusual" amounts transacted by individuals. Lottery operators must notify COAF of the names and identifying information of winners of three or more prizes equal to or higher than 10,000 Reais (approximately $5,500) within a 12-month period. Insurance companies and brokers are required to report large policy purchases, settlements or otherwise

suspicious transactions. In addition, on January 8, 2008, the CVM extended monitoring/reporting requirements to include dealers in luxury goods, and persons or companies that engage in activities involving a high volume of cash transactions. During the first 10 months of 2008, COAF received information regarding 226,413 cash and 296,070 non-cash transactions. During the same period, the Central Bank received 830,257 reports of transactions exceeding 100,000 Reais; and 367,566 reports were submitted to SUSEP regarding activities in the insurance sector.

Narcotics asset seizure and forfeiture: Yes

Brazil has established systems for identifying, tracing, freezing, seizing, and forfeiting narcotics related assets. The COAF and the Ministry of Justice manage these systems jointly. Police and the customs and revenue services are responsible for tracing and seizing assets, and have adequate law enforcement powers and resources to perform such activities.

Narcotics asset sharing authority: Yes

The judicial system has the authority to forfeit seized assets, and Brazilian law permits the sharing of forfeited assets with other countries. The Justice Ministry's Department of Asset Recovery, among other duties, is responsible for international cooperation on money laundering cases and is empowered to share seized forfeited assets with other countries.

Cross-border currency transportation requirements: Yes

The 1998 money laundering statute requires that individuals bringing more than 10,000 Reais (approximately $5,500) in cash, checks, or traveler's checks into Brazil must fill out a customs declaration, but there is no currency limit to move money in or out of Brazil.

Cooperation with foreign governments (including refusals): Yes

The GOB regularly cooperates with other jurisdictions to combat international money laundering and financial crimes. Operationally, elements of the GOB responsible for combating terrorism, such as the Federal Police, Customs, and the Brazilian Intelligence Agency (ABIN), work effectively with their U.S. counterparts, investigating potential terrorist financing, document forgery networks, and other illicit activity. However, Brazil's judicial system, which permits multiple appeals by both defendants and the prosecutors' offices, delays the finality of sentences and forfeiture judgments for many, many years. Thus, often Brazil does not submit a final order for registration for nearly ten years, after which many assets which could be forfeited have disappeared.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues:

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

The GOB has generally responded to U.S. efforts to identify and block terrorist-related funds. None of the individuals and entities on the UNSCR 1267 Sanctions Committee's consolidated list has been found to be operating or executing financial transactions in Brazil, and the GOB insists there is no evidence of terrorist financing in Brazil.

In 2009, based on information provided by the F.B.I., a man was arrested in Sao Paulo on suspicion that he was connected to the Jihad Media Battalion, a known terrorist organization with possible ties to Al Qaeda. However, a Brazilian judge ordered his release after several weeks, and the GOB has taken the position he had no demonstrable ties to any terrorist activity. As Brazil continues to emerge as a global economic and political player, its efforts to render assistance in such cases will likely increase. However, its failure to enact terrorist financing laws is a huge gap.

U.S.-related currency transactions:

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

Records exchange mechanism with U.S.:

The Mutual Legal Assistance Treaty between Brazil and the United States entered into force in 2001, and a bilateral Customs Mutual Assistance Agreement became effective in 2005. Using the Customs-to-Customs Agreement framework, the GOB and U.S. Immigration and Customs Enforcement (ICE) in 2006 established a Trade Transparency Unit (TTU) in Brazil to detect money laundering via trade transactions. The GOB also participates in the "3 Plus 1" Security Group with the United States and the other TBA countries.

International agreements:

Brazil is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism -Yes
- the UN Convention against Transnational Organized Crime -Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

Brazil is a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering. Brazil also is a member of the Financial Action Task Force (FATF) and the Financial Action Task Force against Money Laundering in South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found here: www.gafisud.org

Recommendations:

The Government of Brazil (GOB) should criminalize terrorist financing as an autonomous offense. In order to successfully combat money laundering and other financial crimes, Brazil should ensure the passage of legislation to regulate the sectors in which money laundering is an emerging issue. Brazil should enact and implement legislation to provide for the effective use of advanced law enforcement techniques in order to provide its investigators and prosecutors with more advanced tools to tackle sophisticated organizations that engage in money laundering, financial crimes, and terrorist financing. Brazil should also enforce currency controls and cross-border reporting requirements, particularly in the Tri-Border Area and among designated non-banking financial businesses and professions. The GOB should initiate mandatory outbound cross-border reporting requirements. Additionally, the GOB must continue to fight against corruption and ensure the enforcement of existing anti-money laundering laws, including the obligation for all financial institutions to report transactions suspected of being related to terrorist financing.

Burma

Burma is a major drug-producing country and its economy remains dominated by state-owned entities, including those affiliated with the military. Drug trafficking is a major source of money laundering in

Burma. Wildlife, gems, timber, human trafficking victims, and other contraband originate in or flow through Burma and are additional sources of money laundering, as is public corruption. The steps Burma has taken over the past several years have reduced vulnerability to drug money laundering in the banking sector. However, with an underdeveloped financial sector and a large volume of informal trade, Burma remains a country where there is significant risk of drug money being funneled into commercial enterprises and infrastructure investment. Regionally, value transfer via trade is of concern and hawala/hundi networks frequently use trade goods to provide counter-valuation. Burma's border regions are difficult to control and poorly patrolled. In some remote regions where smuggling is active, ongoing ethnic tensions and, in some cases armed conflict, impede government territorial control. In other areas, collusion between traffickers and Burma's ruling military government, the State Peace and Development Council (SPDC), allows organized crime groups to function with minimal risk of interdiction. Although progress was made in 2009, the criminal underground faces little risk of enforcement and prosecution. Corruption in business and government is a major problem. Burma is ranked 178 out of 180 countries in Transparency International's 2009 Corruption Perception Index.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

The Government of Burma's (GOB) 2004 anti-money laundering (AML) measures amended regulations instituted in 2003 that set out 11 predicate offenses, including narcotics trafficking. In 2007, the GOB further expanded the list of predicate offences to all serious crimes.

Criminalizes other money laundering, including terrorism-related: Yes

See above.

Criminalizes terrorist financing: No

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

It appears that Burma's AML measures do not account for funds derived from legitimate sources which may be used to finance acts of terrorism. Burma has not enacted a law specifically criminalizing terrorist financing and designating it as one of the predicate offenses to money laundering as well as making it an extraditable offense.

Know-your-customer rules:

Information is not available.

Bank records retention: Yes

Reporting entities are obligated to maintain records for seven years.

Suspicious transaction reporting: Yes

Regulations require banks, customs officials and the legal and real estate sectors to file suspicious transaction reports (STRs). In July 2007, the Central Control Board issued five directives to bring more non-bank financial institutions under the AML compliance regime. As of August 2008, a total of 1,495 STRs had been received, of which seven cases were identified as potential money laundering investigations. The Burmese financial intelligence unit (FIU) has investigated eight cases to date, three of which were sent to the courts for prosecution.

Large currency transaction reporting: Yes

Regulations set a threshold amount for reporting cash transactions by banks and real estate firms at 100 million kyat (approximately $100,000 at the prevailing unofficial exchange rate in December 2009).

Narcotics asset seizure and forfeiture:

GOB case law for seizing assets falls under the Narcotic Drugs and Psychotropic Substance Law as well as the 2002 Control of Money Laundering Law. Under these laws, the GOB can seize instruments of crime such as conveyances used to transport narcotics, property on which illicit crops are grown or are used to support terrorist activity, or intangible property such as bank accounts.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: Yes

Foreign currency importation over $2000 must be reported at the port of entry. Mandatory declaration forms are used. There are no known outbound currency requirements. Burmese citizens are not permitted to possess foreign currency.

Cooperation with foreign governments: Yes

There is cooperation on a case-by-case basis.

U.S. or international sanctions or penalties: Yes.

The United States maintains sanctions on Burma, which include restrictions on trade, new investment, and financial transactions, as well as a visa ban on selected individuals and a targeted asset freeze. Under the Tom Lantos Block Burmese JADE (Junta's Anti-Democratic Efforts) Act of 2008, the Burmese Freedom and Democracy Act, and several Executive Orders, the United States bans the exportation of financial services to Burma from the United States or by any U.S. person, freezes assets of the SPDC and other designated individuals and entities, including banks, parastatals and regime cronies, and prohibits the importation of Burmese-origin goods into the United States, as well as jadeite, rubies, and articles of jewelry containing them (even if the jadeite or rubies have been substantially transformed in third countries). Additionally, other U.S. legislation, such as the Narcotics Control Trade Act, the Foreign Assistance Act, the International Financial Institutions Act, the Export-Import Bank Act, the Export Administration Act, and the Customs and Trade Act, the Tariff Act (19 USC 1307), place further restrictions on financial transactions and assistance to Burma.

In September 2008, the United States Government identified Burma as one of three countries in the world that had "failed demonstrably" to meet its international counter-narcotics obligations. On November 13, 2008, the Office of Foreign Assets Control in the Department of the Treasury named 26 individuals and 17 companies tied to Burma's Wei Hsueh Kang and the United Wa State Army (UWSA) as Specially Designated Narcotics Traffickers pursuant to the Foreign Narcotics Kingpin Designation Act (Kingpin Act). Wei Hsueh Kang and the UWSA were designated by the President as Foreign Narcotics Kingpins on June 1, 2000 and May 29, 2003, respectively.

Enforcement and implementation issues and comments:

The GOB established a Department against Transnational Crime in 2004. Its mandate includes anti-money laundering activities. It is staffed by police officers and support personnel from banks, customs, budget, and other relevant government departments. There has been only one conviction for money laundering since 2004 out of 23 money laundering investigations.

U.S.-related currency transactions:

The prevalent informal use of the U.S. dollar in Burma makes cash courier/currency smuggling of U.S. dollars a common and attractive method of laundering illicit proceeds. The criminal underground faces little risk of enforcement and prosecution.

Records exchange mechanism with U.S.: None

International agreements:

Burma's Mutual Assistance in Criminal Matters Law (MACML) 2004 Act provides that Burma can provide legal assistance according to stipulated conditions. Over the past several years, the GOB has expanded its counter narcotics cooperation with other states. The GOB has bilateral drug control agreements with India, Bangladesh, Vietnam, Russia, Laos, the Philippines, China, and Thailand. These agreements include cooperation on drug-related money laundering issues. Burma is not a member of the Egmont Group of Financial Intelligence Units.

Burma is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism – Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - No

Burma is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.apgml.org/documents/docs/17/Myanmar%202008.pdf

Recommendations:

The Government of Burma (GOB) has in place a framework to allow mutual legal assistance and cooperation with overseas jurisdictions in the investigation and prosecution of serious crimes. To fully implement a strong anti-money laundering/counter-terrorist financing regime, Burma must provide the necessary resources to administrative and judicial authorities who supervise the financial sector so they can successfully apply and enforce the government's regulations to fight money laundering. Burma also must continue to improve its enforcement of the new regulations and oversight of its financial sector. The GOB should end all government policies that facilitate the investment of drug money and proceeds from other crimes in the legitimate economy. The FIU should become a fully funded independent agency that is allowed to function without interference. Customs should be strengthened and authorities should monitor more carefully trade-based money laundering and how trade is used to sometimes provide counter-valuation for hawala/hundi networks. Burma should become a party to the UN Convention against Corruption. The GOB should take serious steps to combat smuggling of contraband and its link to the pervasive corruption that permeates all levels of business and government. The GOB should respond adequately to any foreign requests for cooperation. The GOB should criminalize the financing of terrorism. Finally, the GOB should adhere to all laws and regulations that govern anti-money laundering and counter-terrorist financing to which it is committed by virtue of its membership in the UN and the APG.

Cambodia

The major sources of money laundering in Cambodia are drug-trafficking, widespread human trafficking and corruption. Cambodia serves as a transit route for drug-trafficking from the Golden Triangle to international drug markets such as Vietnam, mainland China, and Taiwan. Cambodia's fledgling anti-money laundering regime, a cash-based economy with an active informal banking system, porous borders with attendant smuggling, limited capacity of the National Bank of Cambodia (NBC) to supervise the rapidly expanding financial and banking sectors, and widespread corruption contribute to a significant money laundering risk.

Offshore Center:

No information provided.

Free Trade Zones:

No information provided.

Criminalizes narcotics money laundering: Yes

In 1996, Cambodia criminalized money laundering related to narcotics-trafficking through the Law on Drug Control.

Criminalizes other money laundering, including terrorism-related: Yes

With the 2007 enactment of the "Law on Anti-Money Laundering and Combating the Financing of Terrorism" (AML/CFT Law) and the subsequent May 2008 implementing regulations, Cambodia has created a foundation to combat acts of money laundering and terrorist financing within the banking sector. The 2009 Penal Code criminalizes money laundering in relation to proceeds from all serious crime, and makes the crime of money laundering a punishable offense.

Criminalizes terrorist financing: Yes

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

The AML/CFT Law criminalizes terrorist financing.

Know-your-customer rules: Yes

Financial institutions are required to conduct customer due diligence when carrying out transactions that involve a sum in excess of 40 million riel (approximately $9,630) or foreign currency equivalent or a wire transfer that involves a sum in excess of 4 million riel (approximately $963) or other equivalent foreign currency.

Bank records retention: Yes

Article 11 of the AML/CFT Law requires reporting entities to keep records of customer identification and of transactions for at least five years after the account has been closed or the business relationship with the customer has ended.

Suspicious transaction reporting: Yes

The AML/CFT Law provides the framework for banks, casinos, realtors, and designated money service businesses to report suspicious transaction reports (STRs) to the Cambodian Financial Intelligence Unit (CAFIU). CAFIU analyzes received information and, when appropriate, may refer its analyses to law enforcement bodies. In 2009, CAFIU received 64 STRs.

Large currency transaction reporting: Yes

The AML/CFT Law requires banks and other financial institutions to report transactions over 40,000,000 Riel (approximately $9,630). However, large cash reporting is not yet consistently implemented due to lack of a unified reporting mechanism and a CAFIU database. In 2009, CAFIU received 162,126 currency transaction reports.

Narcotics asset seizure and forfeiture:

Article 30 of the AML/CFT Law provides for confiscation of property in cases where someone is found guilty of money laundering as stipulated in the penal code.

Under the 2007 Law on Counter Terrorism, the Minister of Justice may order the prosecutor to freeze property of a legal or natural person if that person is listed on the list of persons and entities belonging or associated with the Taliban and Al Qaeda issued by the UNSCR 1267 Sanction Committee's consolidated list. There have been no reports of designated terrorist financiers using the Cambodian banking sector.

Narcotics asset sharing authority:

No information provided.

Cross-border currency transportation requirements: Yes

Although there is a legal requirement to declare to Cambodian Customs the movement of more than $10,000 into or out of the country, in practice there is no effective oversight of cash movement across the border or reporting to the CAFIU.

Cooperation with foreign governments:

There is no clear legal basis for such cooperation but Cambodian authorities have cooperated with foreign authorities in conducting investigations.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

There is a large black market in Cambodia for smuggled goods, including drugs and imported substances for local production of amphetamine-type stimulants such as methamphetamine. However, most smuggling is intended to circumvent official duties and evade tax obligations and involves items such as fuel, alcohol, optical disks, and cigarettes. Corruption influences some government officials and private sector associates that have control over the smuggling trade and its proceeds. Such proceeds are rarely transferred through the banking system or other financial institutions. Instead, they are readily channeled into land, housing, luxury goods or other forms of property.

Although the Ministry of Interior has a legal responsibility for general oversight of casino operations, in practice it exerts little supervision. Additionally, regulations necessary to establish reporting procedures and formats for designated nonfinancial businesses and professions (DNFBPs) to fully implement the AML/CFT Law are still in draft form.

U.S.-related currency transactions:

Bank operations are widely conducted on a cash basis and predominantly in U.S. dollars. The smuggling trade is usually conducted in U.S. dollars.

Records exchange mechanism with U.S.:

No information provided.

International agreements:

The AML/CFT Law authorizes the CAFIU to exchange information with its foreign FIU counterparts, and to conclude reciprocal cooperation agreements. Three MOUs have been signed with the FIUs in Malaysia, Sri Lanka, and Bangladesh, which allow the CAFIU to cooperate and exchange information on criminal activities connected with money laundering, financial crime, and terrorist financing.

Cambodia is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

In June 2004, Cambodia joined the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://apgml.org/documents/default.aspx?DocumentCategoryID=17

Recommendations:

Cambodia has yet to strengthen controls over its porous borders as well as significantly increase the capability of the CAFIU. The Government of Cambodia should issue additional decrees necessary to fully implement the AML/CFT Law - particularly implementing provisions relating to designated non-financial businesses and professions mandating compliance with reporting requirements. Cambodia should develop the capability of its law enforcement and judicial authorities to investigate, prosecute, and adjudicate financial crimes. Establishing a national coordination group, including all relevant agencies involved in AML/CFT issues should be considered a high priority. Cambodia should take specific steps to combat corruption.

Canada

Money laundering in Canada is primarily associated with drug trafficking and financial crimes, particularly those related to fraud. According to the Canadian Security Intelligence Service (CSIS), criminals launder an estimated $5 to $17 billion each year. With roughly $1.5 billion in trade crossing the United States and Canadian borders each day, both governments share concerns about illicit cross-border movements of currency, particularly the proceeds of drug trafficking. Organized criminal groups involved in drug trafficking also remain a challenge. The Criminal Intelligence Service Canada estimates that approximately 750 organized crime groups operate in Canada, with approximately 80 percent involved in the illicit drug trade.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Section 462.31 of the Canadian Criminal Code criminalizes money laundering. Illicit trafficking in narcotic drugs and psychotropic substances are criminalized in Sections 5 to 7 of the Controlled Drugs and Substances Act.

Criminalizes other money laundering, including terrorism-related: Yes

The Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA), enacted in 2001, expands the list of predicate money laundering offenses to cover all indictable offenses, including terrorism and trafficking in persons. Following subsequent amendments, this legislation applies to banks; credit unions; life insurance companies; trust and loan companies; brokers/dealers of securities; foreign exchange dealers; money services businesses; sellers and redeemers of money orders; accountants; real estate brokers; casinos; lawyers; notaries (in Québec and British Columbia only) and dealers in precious metals and stones. However, lawyers in several provinces have successfully filed legal challenges to the applicability of the PCMLTFA to them based upon common law attorney-client privileges, so lawyers are not completely covered by the AML provisions.

Criminalizes terrorist financing: Yes

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

The Anti-Terrorist Act (ATA) of 2001 criminalizes terrorist financing. Section 83 of the Criminal Code includes the corresponding relevant provisions.

The Government of Canada designates suspected terrorists and terrorist organizations on the UN 1267 Sanctions Committee's consolidated list.

Know-your-customer rules: Yes

Section 53 of the PCMLTF Regulations requires financial institutions to ascertain the identity of any individual for whom they have to keep a large cash transaction record (cash transactions of CAD 10,000 or more). MSBs are required to keep client information records if they have an on-going business

relationship with a client, or for occasional transactions over CAD 3,000, including remittances, wire transfers, and the issuance or redemption of money orders, traveler's checks or other similar negotiable instruments. However, there is no requirement to identify customers where there is a suspicion of money laundering or terrorist financing.

Bank records retention: Yes

Canadian financial institutions are required to maintain business transaction records for a minimum of five years.

Suspicious transaction reporting: Yes

Under Section 7 of the PCMLTFA, all financial institutions covered by the PCMLTFA are required to report suspicious; alternative remittance systems, such as hawala, hundi, and chitti; and Canada Post for money orders are also subject to the report. There is no requirement for financial institutions to submit suspicious transaction reports on attempted transactions. Between April 2008 and the end of March 2009, FINTRAC, Canada's financial intelligence unit (FIU), received 67,740 STRs (which now includes attempted suspicious transactions, not just completed transactions.

Large currency transaction reporting: Yes

The PCMLTFA creates a mandatory reporting system for cash transactions and international electronic funds transfers over CAD 10,000. FINTRAC received more than 6.2 million large cash transaction reports and nearly 18 million electronic funds transfer reports (which includes funds that enter and exit the country) between April 2008 and the end of March 2009.

Narcotics asset seizure and forfeiture: Yes

The Canadian government has asset seizure and forfeiture ability. Additionally, individual provinces have enacted forfeiture laws.

Narcotics asset sharing authority: Yes

The Canadian Sharing Regulations allow Canada to share with a foreign government that provided information relevant to or participated in an investigation or prosecution that resulted in the forfeiture. There also must be a reciprocal forfeiture agreement with Canada for such sharing to be authorized. Canada has entered into many asset sharing arrangements with foreign states and is negotiating a number of additional agreements. The United States has an asset forfeiture sharing agreement with Canada.

Cross-border currency transportation requirements: Yes

The PCMLTFA requires reporting of all cross-border movement, including through the mail system, of currency and monetary instruments totaling or exceeding CAD $10,000 (approximately $9533), to the Canadian Border Services Agency (CBSA). FINTRAC received 42,768 cross-border reports (which includes seizures), between April 2008 and the end of March 2009.

Cooperation with foreign governments (including refusals): Yes

There are no impediments to cooperation. The Canadian financial intelligence unit (FIU) is able to share intelligence with its foreign counterparts.

Canada has longstanding agreements with the U.S. on law enforcement cooperation. Recent cooperation concerns focus on the inability of U.S. and Canadian law enforcement officers to exchange information promptly concerning suspicious sums of money found in the possession of individuals attempting to cross the United States-Canadian border. A 2005 MOU between the CBSA and the U.S. Department of Homeland Security's Immigration and Customs Enforcement (ICE) on exchange of cross-border currency declarations expanded the extremely narrow disclosure policy. However, the scope of the exchange remains restrictive. To remedy this, the CBSA is developing an information-sharing MOU with the United States related to its Cross-Border Currency Reporting Program.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

To bolster monitoring of the MSB sector, in June 2008 a national registry for Money Services Business was also implemented. By March 31, 2009, 803 MSBs registered representing roughly 21,000 branches and agents.

U.S.-related currency transactions:

Canada and the United States are neighbors and major trading partners. Most border commerce between these two nations is legitimate.

Records exchange mechanism with U.S.:

There are numerous treaties and agreements between Canada and the United States. The Mutual Legal Assistance Treaty (MLAT) enables U.S. and Canadian authorities to cooperate on judicial assistance and extradition. The bilateral asset-sharing agreement enables U.S. and Canadian authorities to share assets.

International agreements:

Canada is a party to various information exchange agreements.

Canada is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

Canada belongs to the OAS Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering. Canada is a member of the Financial Action Task Force (FATF) as well as the Asia/Pacific Group on Money Laundering (APG), and is a supporting nation of the Caribbean Financial Action Task Force (CFATF); both APG and CFATF are FATF-style regional bodies. Canada's most recent mutual evaluation can be found here:
http://www.fatfgafi.org/document/32/0,3343,en_32250379_32236982_35128416_1_1_1_1,00.html

Recommendations:

The Government of Canada (GOC) has demonstrated a strong commitment to combating money laundering and terrorist financing both domestically and internationally. In 2009, the GOC continued enhancing its AML/CFT regime and reducing its vulnerability to money laundering and terrorist financing. However increased efforts are needed in preventing the production and exportation of drugs; oversight and enforcement of AML/CFT measures within the casino industry; improved communication between FINTRAC and law enforcement authorities; maintenance and monitoring of the money services business registry; and enhancements to existing cross-border reporting with increased efforts to share information with U.S. counterparts. The GOC also should continue to ensure its privacy laws do not excessively prohibit provision of information that might lead to prosecutions and convictions to domestic and foreign law enforcement.

Cayman Islands

The Cayman Islands, a United Kingdom (UK) Caribbean overseas territory, continues to make strides in strengthening its anti-money laundering/counter-terrorist financing (AML/CFT) regime. However, the islands remain vulnerable to money laundering due to the existence of a significant offshore sector. Most money laundering that occurs in the Cayman Islands is primarily related to fraud and drug trafficking. Due to its status as a zero-tax regime, the Cayman Islands are also considered attractive to those seeking to evade taxes in their home jurisdiction.

Offshore Center: Yes

The Cayman Islands is home to a well-developed offshore financial center that provides a wide range of services, including banking, structured finance, investment funds, various types of trusts, and company formation and management. As of December 2009, there are approximately 278 banks, 159 active trust licenses, 773 captive insurance companies, seven money service businesses, and more than 62,572 exempt companies licensed or registered in the Cayman Islands. According to the Cayman Islands Monetary Authority (CIMA), at year end 2009, there were more than 10,000 registered hedge funds. Shell banks are prohibited, as are anonymous accounts. Bearer shares can only be issued by exempt companies and must be immobilized. Gambling is illegal; and the Cayman Islands do not permit the registration of offshore gaming entities. As an offshore financial center with no direct taxes and a strong reputation for having a stable legal and financial services infrastructure, the Cayman Islands is attractive to businesses based in the United States and elsewhere for legal purposes but also equally attractive to criminal organizations seeking to disguise the proceeds of illicit activity.

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

The Misuse of Drugs Law and the Proceeds of Crime Law (POCL) criminalize money laundering related to narcotics trafficking and all other serious crimes.

Criminalizes other money laundering, including terrorism-related: Yes

The POCL came into effect in September 2008. The law repeals and replaces the Proceeds of Criminal Conduct Law (2007 revision). The POCL introduces the concept of criminal property (includes terrorist property) that constitutes a person's direct or indirect benefit from criminal conduct; tax offenses are not included. The term criminal conduct is also amended to cover any offense. Extraterritorial and appropriate ancillary offenses are covered in domestic legislation and criminal liability extends to legal persons. The POCL also consolidates the law relating to the confiscation of the proceeds of crime and the law relating to mutual legal assistance in criminal matters.

Banks, trust companies, investment funds, fund administrators, insurance companies, insurance managers, money service businesses, and corporate service providers as well as most designated non-financial businesses and professions, are subject to the AML/CFT regulations set forth in the Money Laundering (Amendment) Regulations 2008, which came into force on October 24, 2008. Dealers of precious metals and stones and the real estate industry are also subject to AML/CFT regulations.

Criminalizes terrorist financing: Yes

The Cayman Islands is subject to the United Kingdom Terrorism (United Nations Measure) (Overseas Territories) Order 2001. The Cayman Islands criminalizes terrorist financing through the passage of the Terrorism Bill 2003, which extends criminal liability to the use of money or property for the purposes of terrorism. It also contains a specific provision on money laundering related to terrorist financing. While lists promulgated by the UN Sanctions Committee and other competent authorities are legally recognized, there is no legislative basis for independent domestic listing and delisting. There have been no terrorist financing investigations or prosecutions to date in the Cayman Islands.

Know-your-customer rules: Yes

CIMA's Guidance Notes on the Prevention and Detection of Money Laundering and Terrorist Financing (Guidance Notes), as last amended in December 2008, require know your customer (KYC) identification requirements for financial institutions and certain financial services providers. The regulations require due diligence measures for individuals who establish a new business relationship, engage in one-time transactions over KYD $15,000 (approximately $18,293), or who may be engaging in money laundering. The Guidance Notes also address correspondent banking and enhanced due diligence procedures. Financial institutions are prohibited from correspondent relationships with shell banks. In addition,

financial institutions must satisfy that respondent financial institutions in a foreign country do not permit their accounts to be used by shell banks.

Bank records retention: Yes

CIMA's Guidance Notes require institutions to keep appropriate evidence of client identification, account opening or new business documentation. Adequate records identifying relevant financial transactions should be kept for a period of five years following the closing of an account, the completion of the transaction or the termination of the business relationship.

Suspicious transaction reporting: Yes

The POCL requires mandatory reporting of suspicious transactions and makes failure to report a suspicious transaction a criminal offense. A suspicious activity report (SAR) must be filed once it is known or suspected that a transaction may be related to money laundering or terrorist financing. There is no threshold amount for the reporting of suspicious activity. Obligated entities currently report suspicious activities to the Financial Reporting Authority (FRA), the Cayman Islands' financial intelligence unit. From 2007 to date the FRA has reviewed over 300 reports.

Large currency transaction reporting: No

There is no system in place in the Cayman Islands requiring the reporting of large currency transactions above a certain threshold.

Narcotics asset seizure and forfeiture: Yes

The Cayman Islands has a comprehensive system in place for the confiscation, freezing, and seizure of criminal assets. In addition to criminal forfeiture, civil forfeiture is allowed in limited circumstances. The POCL provides the Attorney-General with the ability to issue restraint orders once an investigation has begun without the need to bring charges within 21 days. Additionally, the FRA can request a court order to freeze bank accounts if it suspects the account is linked to money laundering or terrorist financing. Confiscation orders also may now be issued by the Attorney General upon conviction in either Summary or Grand Courts. The legislation also permits the Attorney General to bring civil proceedings for the recovery of the proceeds of crime. Over $120 million in assets has been frozen or confiscated since 2003. The confiscation, freezing, and seizure of assets related to terrorist financing are permitted by law.

Narcotics asset sharing authority: No

Cross-border currency transportation requirements: Yes

On August 10, 2007, the Cayman Islands enacted the Customs (Money Declarations and Disclosures) Regulations, 2007. These regulations establish a mandatory declaration system for the inbound cross-border movement of cash and a disclosure system for money that is outbound. All persons transporting money totaling KYD $15,000 (approximately $18,293) or more into the Cayman Islands are required to declare such amount in writing to a Customs officer at the time of entry. Persons carrying money out of the Cayman Islands are required to make a declaration upon verbal or written inquiry by a Customs officer.

Cooperation with foreign governments: Yes

No known impediments to cooperation exist.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

In March 2008, the United Kingdom published The Foreign and Commonwealth Office: Managing Risk in the Overseas Territories. The report noted that, of the British Territories, only the Cayman Islands have achieved successful prosecutions of local participants for offshore money laundering offenses.

There have been only five money laundering convictions in the Cayman Islands since 2003, which is not a large amount considering the size of its financial sector and the volume of offshore entities holding assets there.

In July 2008, the Financial Crime Unit (FCU) of the Royal Cayman Islands Police Service arrested an individual in connection with the collapse of the Grand Island Fund following serious irregularities in the fund's trading activities. The collapse of the fund is believed to involve millions of dollars. The FCU investigation is ongoing.

Nonprofit organizations must be licensed and registered, although there is no competent authority responsible for their supervision.

U.S.-related currency transactions:

In July 2008, the U.S. Government Accountability Office (GAO) issued a report entitled: "Cayman Islands: Business and Tax Advantages Attract U.S. Persons and Enforcement Challenges Exist." The report was prepared in response to a Congressional inquiry. The report found that U.S. persons who conduct financial activity in the Cayman Islands commonly do so to gain business advantages, such as facilitating U.S.-foreign transactions or to minimize or obtain tax advantages; while much of this activity is legal, some is not. In June 2008, two former Bear Stearns hedge fund managers were arrested and indicted in the U.S. on conspiracy and fraud charges related to the collapse of two Cayman Islands funds they oversaw. A companion civil suit to recover over $1.5 billion in losses was filed against four individuals and companies in the Cayman Islands

Records exchange mechanism with U.S.:

In 1986, the United States and the United Kingdom signed a Mutual Legal Assistance in Criminal Matters Treaty (MLAT) concerning the Cayman Islands. By a 1994 exchange of notes, Article 16 of that treaty has been deemed to authorize asset sharing between the United States and the Cayman Islands. The GAO report highlights the cooperation between U.S. agencies and their Cayman counterparts in investigating money laundering, financial crimes, and tax evasion. However, the Cayman Islands does not engage readily in informal mutual legal assistance with U.S. law enforcement agencies, insisting that requests be submitted through formal MLAT channels, which decreases the often necessary expediency of obtaining evidence and restraint of criminal assets. Also, although generally helpful when receiving formal MLAT assistance requests from the U.S., the Cayman Islands has not been proactive with regard to money laundering prosecutions based on its own investigations. The FRA and the Financial Crimes Enforcement Network (FinCEN) have a memorandum of understanding in place.

International agreements:

The FRA has MOUs in place with the FIUs of Australia, Canada, Chile, Guatemala, Indonesia, Mauritius, Nigeria, and Thailand.

Cayman Islands are a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

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

http://www.cfatf-gafic.org//mutual-evaluation-reports.html

Recommendations:

The Government of the Cayman Islands bolstered its AML/CFT regime to be in accordance with international standards. However, for a jurisdiction with one of the largest and most developed offshore sectors, the Cayman Islands record of investigations and prosecutions is poor. The Cayman Islands should do more to strengthen its AML/CFT regime, to include ensuring the full implementation of provisions related to dealers in precious metals and stones as well as the disclosure/declaration system for the cross-border movement of currency. The Cayman Islands also should provide for the adequate supervision of nonprofit organizations. In addition, the Cayman Islands should work to fully develop its capacity to proactively investigate money laundering and terrorist financing cases.

China, People's Republic of

The Government of the People's Republic of China has continued to take steps to strengthen its anti-money laundering/counter-terrorist financing (AML/CFT) framework during the period of 2008-2009. Money laundering remains a serious concern as China restructures its economy and develops its financial system. Narcotics trafficking, smuggling, trafficking in persons, counterfeiting of trade goods, trade based money laundering, corruption, fraud, tax evasion, and other financial crimes are major sources of laundered funds. Most money laundering cases currently under investigation involve funds obtained from corruption and bribery. Proceeds of tax evasion, recycled through offshore companies, often return to China disguised as foreign investment and, as such, receive tax benefits. Chinese officials have noted that most acts of corruption in China are closely related to economic activities that accompany illegal money transfers. Observers register increasing concern regarding underground banking and trade-based money laundering. Value transfer via trade goods, including barter exchange, is a common component in Chinese underground finance. Many Chinese underground trading networks in Africa, Asia, the Middle East, and the Americas participate in the trade of Chinese-manufactured counterfeit goods. This trade-based mechanism could also present terrorist financing risks. Reportedly, the proceeds of narcotics produced in Latin America are laundered via trade by purchasing Chinese manufactured goods (both licit and counterfeit) in an Asian version of the Black Market Peso Exchange.

Offshore Center:

No information was available on the status of any offshore centers.

Free Trade Zones: Yes

China offers a broad range of investment incentives at the national, regional, and local levels. Foreign investors stand to benefit from reduced fees related to national and local income taxes, land use fees, and import/export duties with the country's Special Economic Zones (SEZ's) of Shenzhen, Shantou, Zhuhai, Xiamen, and Hainan, 14 coastal cities, designated development zones (100+) and inland cities.

Criminalizes narcotics money laundering: Yes

China introduced Article 349 of the Penal Code in December 1990 to criminalize the laundering of proceeds generated from drug-related offenses.

Criminalizes other money laundering, including terrorism-related: Yes

Article 191 of the Penal Code, most recently amended in June 2006, criminalizes the laundering of proceeds generated from seven broad categories of offences (drugs, smuggling, organized crime, terrorism, corruption or bribery, disrupting the financial management order and financial fraud). Article 312 criminalizes money laundering on the basis of an all-crimes approach, and criminalizes complicity in concealing the proceeds of criminal activity; an amendment to this article in February 2009 imposes criminal liability for money laundering on corporations.

On November 10, 2009, the Supreme People's Court released a judicial interpretation on money laundering that further expands the application of the law to non-banking institutions. The judicial announcement, entitled "The Interpretation of Issues Concerning Concrete Applicability of Laws in

handling Money Laundering Cases," addresses money laundering typologies using non-banking/financial activities, including pawning, leasing, lottery, gambling, awards, and cash-intensive commercial operations. The Judicial Interpretation has not yet been codified in law or regulation.

Criminalizes terrorist financing: Yes

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

The Supreme People's Court Judicial Interpretation issued on November 10, 2009 expands the provisions of Articles 191, 312 and 349 of the Penal Code by defining the sponsorship of terrorism as raising and providing funds or material support for terrorism. The notice addresses two particular Penal Code deficiencies related to the criminalization of terrorist financing. The language "financially support" was previously deemed to be narrow in scope but is now clearly defined as encompassing not only funds, but also property, premises and any other kinds of support. Additionally the sole collection of funds in the context of a terrorist financing scheme is deemed a violation of the Penal Code.

China's implementation of UNSCRs 1267 and 1373 is deficient and does not include all the elements necessary to satisfactorily fulfill their provisions. China has not established an effective mechanism for dealing with the freezing of assets of UNSCRs 1267 and 1373-designated terrorists. China relies on a normal criminal procedure regime for seizure and confiscation of terrorist assets. There is no preventative mechanism in place for freezing terrorist assets without delay and no monitoring of compliance by financial regulators.

Know-your-customer rules: Yes

In 2007, China adopted a series of regulations to both refine customer due diligence (CDD) requirements and expand the provisions to apply to both the insurance and securities sectors. The current legislative framework for CDD measures in the financial sector consists of the following: "Rules for Anti-Money Laundering by Financial Institutions" (AML Rules); and "Administrative Rules for Financial Institutions on Customer Identification and Record Keeping of Customer Identity and Transaction Information" (CDD Rules). The AML Rules obligate financial institutions to perform CDD, regardless of the type of customer (business or individual), type of transaction, or level of risk. The law explicitly prohibits anonymous accounts or accounts in fictitious names. Banks must identify and verify customers when carrying out occasional transactions over RMB 10,000, or $1,000 equivalent, or when providing cash deposit or withdrawal services over RMB 50,000, or $10,000 equivalent. Similar provisions cover a range of cash and other transactions for the insurance sector.

The CDD Rules extend requirements relating to the identification of legal persons to all covered financial institutions and require all financial institutions to identify and verify their customers, including the beneficial owner. On December 30, 2008, the People's Bank of China (PBC) issued a Notice further interpreting "beneficial owner" as persons including but not limited to: 1) entities controlling the account; and 2) entities not identified by the customer but who are authorized to handle transactions or eventually enjoy financial benefit. The Notice requires financial institutions to strengthen identification of foreign PEPs.

Bank records retention: Yes

Each financial institution must establish a program to keep required customer identity records and transaction records for at least five years following the termination of the business relationship or the completion of a transaction.

Suspicious transaction reporting: Yes

The Administrative Rules for the Reporting of Large-Value and Suspicious Transactions by Financial Institutions (LVT/STR Rules) as amended on June 21, 2007 require financial institutions and the insurance and securities sector to report transactions that meet specified criteria and/or are deemed

suspicious in nature or related to terrorist financing. The LVT/STR Rules were amended on June 21, 2007, to require financial institutions to report suspicious transactions. In 2009, the PBC issued AML/CFT guidance for bankcard, money clearing, and payment and clearing organizations, subjecting each to the above noted STR requirements. In May 2009, the Legislative Affairs Office of the State Council extended similar requirements to the lottery industry.

Large currency transaction reporting: Yes

The current AML and LVT/STR Rules require reporting of cash deposits or withdrawals of over RMB 200,000 (approximately $29,000) or foreign-currency withdrawals of over $10,000 to the financial intelligence unit (FIU) at the PBC. Additionally money transfers between companies exceeding RMB 2 million (approximately $294,000) or between an individual and a company greater than RMB 500,000 (approximately $73,500) in one day must be reported. Financial institutions that fail to meet reporting requirements in a timely manner are subject to a range of administrative penalties and.

Narcotics asset seizure and forfeiture: Yes

China legislatively provides for the tracing, freezing and seizure of criminal assets within the penal code, criminal procedure code and AML law. The penal code imposes mandatory confiscation of (1) illegal proceeds; (2) property or interest derived from the illegal proceeds, (3) laundered assets; and (4) "intended" instrumentalities. The criminal procedure code authorizes law enforcement authorities (including the judiciary) to identify and trace criminal proceeds and instrumentalities and outline the process to use to seize and freeze assets. The AML Rules grant to the AML Bureau of the PBC the use of "temporary freezing measures" when a client under investigation initiates a payment to a foreign country.

Narcotics asset sharing authority: No

Chinese law neither authorizes nor prohibits the sharing of confiscated funds. Because the law is silent on the matter, in some instances, China has chosen to share assets. Reportedly, China has shared funds with the United States; and the Department of Justice is pursuing a bilateral arrangement to lead to future cooperation.

Cross-border currency transportation requirements: Yes

China's current system of cross-border currency declaration focuses solely on the movement of cash, with no coverage of bearer negotiable instruments. Travelers are required to declare cross-border transportation of cash exceeding RMB 20,000 for local currency or the foreign equivalent (approximately $2,940). In 2008 the PBC, General Administration of Customs and State Administration of Foreign Exchange drafted a new administrative rule to include both cash and negotiable instruments, and to raise the threshold reporting amount. While the document has been circulated for comment, as of December 2009, it had not been approved, and the PBC and the customs authority were still in discussions.

Cooperation with foreign governments (including refusals): Yes

Limitations in China's ability to enforce foreign forfeiture orders impede its ability to cooperate with foreign governments.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Although the CDD Rules require all financial institutions to identify beneficial owners, in practice, this requirement may be limited to the natural person who ultimately controls—as opposed to owns—a customer. The December 30, 2008 PBC Notice further interpreting beneficial ownership may constitute "other enforceable means" but is not equivalent to a regulation.

China has implemented several criteria related to the identification of politically exposed persons (PEPs); however, it is unclear whether current legislation requires senior management approval for account opening or sufficient measures to establish the source of funds.

Although China has had some success at combating illegal underground banking, the country's cash-based economy, combined with robust cross-border trade, contributes to a high volume of difficult-to-track large cash transactions. While China is adept at tracing formal financial transactions, the large size of the informal economy—estimated by the Chinese Government at approximately ten percent of the formal economy, but quite possibly much larger—means that tracing informal financial transactions presents a major obstacle to law enforcement. The prevalence of counterfeit identity documents and underground banks, which in some regions reportedly account for over one-third of lending activities, further hamper AML/CFT efforts.

According to the PBC, in 2007 authorities discovered 89 cases of money laundering involving RMB 28.8 billion (approximately $4.24 billion). In the first half of 2008, the PBC sanctioned 12 financial institutions involved in money laundering, with fines totaling RMB 2.25 million (approximately $331,000). China reports convictions for money laundering offenses in 2008 as follows: under Penal Code Art. 191 - 12 cases finalized, 15 individuals convicted; under Penal Code Art. 312 – 10,318 cases finalized, 17,650 individuals convicted; and under Penal Code Art. 349 – 59 cases finalized, 69 individuals convicted.

Law enforcement agencies have authority to use a wide range of powers, including special investigative techniques, when conducting investigations of money laundering, terrorist financing and predicate offenses. Reportedly, however, law enforcement and prosecutorial authorities focus on pursuing predicate offenses, to the exclusion of AML/CFT.

Authorities do not appear to effectively use captured data on cross-border currency movements for money laundering or terrorist financing investigations.

U.S.-related currency transactions:

The extent of the linkages between underground banking and the large expatriate Chinese community remains unknown but is of potential concern.

Records exchange mechanism with U.S.:

A mutual legal assistance agreement (MLAA) between the United States and China entered into force in March 2001. The MLAA provides a basis for exchanging records in connection with narcotics and other criminal investigations and proceedings. China is not a member of the Egmont Group of cooperating Financial Intelligence Units. Since Egmont membership is the primary basis upon which FinCEN exchanges information with foreign jurisdictions, China's non-membership impedes information exchange with the U.S. FIU. However, the Chinese FIU reportedly has in place certain infrastructure to securely exchange and safeguard information between units.

The United States and China cooperate and discuss money laundering and enforcement issues under the auspices of the U.S./China Joint Liaison Group's (JLG) subgroup on law enforcement cooperation. In addition, the United States and China have established a Working Group on Counterterrorism that meets on a regular basis. In July 2009, during the US-China Strategic and Economic Dialogue (S&ED), the United States and China agreed to strengthen their cooperation on AML/CFT, as well as counterfeiting. The U.S. and China are in the process of establishing an AML/CFT working group under the S&ED framework. It is expected the S&ED Illicit Finance Working Group will hold its first meetings in early 2010. Proposed agenda items include anti-corruption/asset recovery, trade based money laundering, and counterfeit currency issues.

International agreements:

China has signed mutual legal assistance treaties with over 24 countries and has entered into some 70 MOUs and cooperation agreements with over 40 countries. China has signed extradition agreements with 30 countries. China also has established working groups with other countries to cooperate and discuss money laundering and enforcement issues as well as counter-terrorism matters.

China is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes*
- the UN Convention against Transnational Organized Crime - Yes*
- the 1988 UN Drug Convention - Yes*
- the UN Convention against Corruption - Yes*

*China has registered Reservations that preclude it from being bound to certain articles of the above conventions.

China is currently a member of the Financial Action Task Force (FATF) and two FATF-style regional bodies. China became a member in the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) in 2004. China is a founding member of the Asia/Pacific Group on Money Laundering (1997), and reactivated its membership in 2009. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/33/11/39148196.pdf

Recommendations:

The Chinese Government should continue to take steps to develop a viable AML/CFT regime consistent with international standards. China should continue to develop a regulatory and law enforcement environment designed to prevent and deter money laundering, and it should raise awareness within law enforcement and the judiciary of money laundering as a criminal offense. Specifically, China should ensure that law enforcement and prosecutorial authorities pursue money laundering and terrorist financing offenses, and not simply treat them as a subsequent byproduct of investigations into predicate offenses. China's Anti-Money Laundering Law and related regulations should apply to a broader range of non-financial businesses and professions. Authorities should assess the application of sanctions for noncompliance with identification, due diligence and record-keeping requirements to ensure they have a genuinely dissuasive effect. China should ensure its judicial interpretations that clarify and strengthen its AML/CFT regime—including clarifications of the money laundering and terrorist financing offenses--become codified in law. China should continue to increase its ability to honor foreign law enforcement forfeiture requests in areas other than narcotics and should ensure that it can enforce both criminal and *in rem* forfeiture requests. In addition, China should take immediate steps to effectively implement the UNSCRs and strengthen its mechanisms for freezing terrorist assets.

Colombia

The Government of Colombia (GOC) is a regional leader in the fight against money laundering. The GOC has a forceful anti-money laundering/counter-terrorist financing (AML/CFT) regime. However, the laundering of money from Colombia's illicit cocaine and heroin trade continues to penetrate its economy and affect its financial institutions. Both drug and money laundering organizations use a variety of methods to repatriate their illicit proceeds to Colombia. These methods include the Black Market Peso Exchange (BMPE), bulk cash smuggling, *reintegro* (wire transfers), and more recent methods, such as using electronic currency and prepaid debit cards. In addition to drug-related money laundering, laundered funds are also derived from commercial smuggling for tax and import duty evasion, kidnapping, arms trafficking, and terrorism connected to violent, illegally-armed groups and guerrilla organizations. Further, money laundering is carried out to a large extent by U.S. Government-designated terrorist organizations. Criminal elements have used the banking sector, including exchange houses, to launder money. Money laundering also has occurred via trade and the non-bank financial system,

especially related to transactions that support the informal or underground economy. The trade of counterfeit items in violation of intellectual property rights is an ever increasing method to launder illicit proceeds. Casinos and free trade zones in Colombia present opportunities for criminals to take advantage of inadequate regulation and transparency. Although corruption of government officials remains a problem, its scope has decreased significantly in recent years.

Offshore Center: No

Free Trade Zones: Yes

Currently there are 46 free trade zones and the GOC is planning to authorize more to attract greater investment and create more jobs. In 2005, Colombia's Congress passed a comprehensive free trade zone (FTZ) modernization law that opens investment to international companies, allows one-company or stand-alone FTZs, and permits the designation of pre-existing plants as FTZs. The Ministry of Commerce administers requests for establishing FTZs, but the government does not participate in their operation. The DIAN (Colombia's Tax and Customs Authority), regulates activities and materials in FTZs. There are identification requirements for companies and individuals who enter or work in the FTZs.

Companies within FTZs enjoy a series of benefits such as a preferential corporate income tax rate and exemption from customs duties and value-added taxes on imported materials. In return for these and other incentives, every FTZ project must meet specific investment and job creation commitments within three years for new projects and five years for pre-existing investments.

***Criminalizes narcotics money laundering*:** Yes

Criminalizes other money laundering, including terrorism-related: Yes

Colombia has criminalized money laundering broadly. Under legislation passed in 1995, 1997, and 2001, the GOC has established the "legalization and concealment" of criminal assets as a separate criminal offense, and criminalized the laundering of the proceeds of extortion, illicit enrichment, rebellion, narcotics trafficking, arms trafficking, crimes against the financial system or public administration, and criminal conspiracy.

Criminalizes terrorist financing: Yes

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

Terrorist financing is an autonomous crime in Colombia. Law 1121 of 2006, which entered into effect in 2007, amends the penal code to define and criminalize direct and indirect financing of terrorism of both national and international terrorist groups.

Know-your-customer rules: Yes

Financial institutions are required by law to know and record the identity of customers. Obligated entities include banks, stock exchanges and brokers, mutual funds, investment funds, export and import intermediaries, credit unions, wire remitters, money exchange houses, public agencies, notaries, casinos, lottery operators, car dealers, and foreign currency traders. Most of these obligated entities are required to establish "know-your-customer" provisions.

Bank records retention: Yes

Financial institutions are required by law to maintain records of account holders and financial transactions for five years.

Suspicious transaction reporting: Yes

Colombian financial institutions are required to report suspicious transactions to the Colombia Financial Intelligence Unit (FIU), or UIAF. Obligated entities include banks, stock exchanges and brokers, mutual

funds, investment funds, export and import intermediaries, credit unions, wire remitters, money exchange houses, public agencies, notaries, casinos, lottery operators, car dealers, and foreign currency traders. Colombian financial institutions regularly report suspicious transactions over certain defined limits but also are obligated to report additional transactions which may fall outside defined regulations. The UIAF receives approximately 800 suspicious transaction reports (STRs) monthly and about 80 per month get referred to the Colombian prosecutor's office for possible criminal investigation.

Large currency transaction reporting: Yes

With the exception of money exchange houses, obligated entities must report to the UIAF cash transactions over 10,000,000 Colombian pesos (approximately $5000). The UIAF requires money exchange houses to provide data on all transactions above $200.

Narcotics asset seizure and forfeiture:

Under Colombian Asset Forfeiture laws, virtually all instruments of crime can be seized. This includes transportation conveyances, properties used for illicit crop cultivation or terrorist activity, and intangibles such as bank and securities accounts. Licit assets can be substituted for illicit assets that cannot be located. Where licit and illicit assets are co-mingled through legitimate businesses, those businesses can be seized and forfeited.

Colombian law provides for both conviction-based and non-conviction based *in rem* forfeiture. Law 793 of 2002 eliminates interlocutory appeals that prolonged and impeded forfeiture proceedings in the past, imposes strict time limits on proceedings, places obligations on claimants to demonstrate their legitimate interest in property, requires expedited consideration of forfeiture actions by judicial authorities, and establishes a fund for the administration of seized and forfeited assets.

The Colombian government regularly carries out asset seizure operations against a myriad of drug trafficking and other criminal organizations throughout Colombia, to include properties, companies, and other assets such as residences, vehicles, aircraft, etc. Freezing assets is very quick and efficient under Colombian law, while forfeiture can take between 1-3 years. According to the Prosecutor General's Office, approximately $107,537,932 worth of currency and goods have been seized in 2009 and approximately $1.3 million of physical assets has been permanently forfeited to the GOC. The administration of seized assets has not been effective.

Narcotics asset sharing authority: No

Cross-border currency transportation requirements: Yes

Bulk Cash Smuggling has become a prominent method to repatriate narcotics proceeds. The GOC has criminalized cross-border cash smuggling and defined it as money laundering. It is illegal to transport more than the equivalent of $10,000 in cash across Colombian borders.

Cooperation with foreign governments: Yes

There are no known impediments to cooperation.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

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

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

According to the Prosecutor General's Office, 236 people were arrested in 2009 for money laundering crimes connected to drug trafficking, terrorism, and other felonies. The Colombian Prosecutor General's office investigated and/or prosecuted 408 money laundering cases in 2009, attaining a total of 54 money laundering convictions and 84 forfeiture judgments.

Colombian law is unclear on the government's authority to block assets of individuals and entities on the UN 1267 Sanctions Committee consolidated list. The government circulates the list widely among financial sector participants, and banks are able to close accounts, but not to seize assets. Banks also monitor other lists, such as OFAC's publication of Specially Designated Narcotics Traffickers, pursuant to E.O. 12978, and Specially Designated Global Terrorists, pursuant to E.O. 13224.

U.S.-related currency transactions:

The massive Colombian/U.S. drug trade revolves around the U.S. dollar. The BMPE, designated by the Department of Treasury as the largest money laundering methodology in the Western Hemisphere, launders drug dollars in the United States through their exchange for Colombian pesos in the black market. Purchased goods rather than U.S. dollars cross over to Colombia in the BMPE system. The GOC and U.S. law enforcement agencies closely monitor transactions that could disguise terrorist financing activities.

Records exchange mechanism with U.S.:

The United States and Colombia exchange information and cooperate based on Colombia's 1994 ratification of the 1988 UN Drug Convention. This convention applies to most money laundering activities resulting from Colombia's drug trade. The GOC cooperates extensively with U.S. law enforcement agencies to identify, target and prosecute groups and individuals engaged in financial and drug crimes.

International agreements:

UIAF has signed memoranda of understanding with 27 FIUs.

Colombia is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism -Yes
- the UN Convention against Transnational Organized Crime -Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

Colombia is a member of the Financial Action Task Force-style regional body GAFISUD. Its most recent mutual evaluation can be found here: www.gafisud.org

Recommendations:

The Government of Colombia continues to make progress in the development of its financial intelligence unit, regulatory framework and interagency cooperation within the government. However, application of this new system is still being learned. Placing greater focus, and priority on money laundering investigations, including increasing resources, is necessary to ensure continued and improved progress. The GOC should take steps to foster better interagency cooperation, including coordination between the UIAF Colombia's Trade Transparency Unit, and the tax and customs authority in order to combat the growth in contraband trade to launder illicit drug proceeds. Congestion in the court system, procedural impediments and corruption remain problems and must be addressed. The GOC should put in place

streamlined procedures for the liquidation and sale of seized assets under state management. Colombian law should be clarified to spell out the government's authority to block assets of individuals and entities on the UN 1267 Sanctions Committee consolidated list. In addition, the GOC should enact the necessary legislation to allow it to pay its GAFISUD dues and become active in GAFISUD once again.

Costa Rica

Costa Rica is not a major regional financial center but remains vulnerable to money laundering and other financial crimes. Illicit proceeds from fraud; trafficking in persons, arms and narcotics (mainly cocaine); corruption; and unregulated Internet gaming likely are laundered in Costa Rica. While local criminals are active, the majority of laundered criminal proceeds derive primarily from foreign criminal activity. The Government of Costa Rica (GOCR) reports that Costa Rica is primarily used as a bridge to send funds to and from other jurisdictions using, in many cases, companies or established banks in offshore financial centers.

Offshore Center: No

As a result of the entry into force of the Superintendent General of Financial Entities (SUGEF) Agreement 8-08, dated December 18, 2008, financial groups that had offshore banks either received a Costa Rican license to operate or they are now under the supervision of a foreign banking authority. Prior to this agreement there were six offshore banks operating in Costa Rica. Since December 2008, four of those offshore institutions transferred their assets/liabilities to local banks (two of those four actually merged with local banks); one no longer operates in Costa Rica; and one received its license to operate in compliance with articles 44 and 72 of the SUGEF Agreement.

Free Trade Zones: Yes

There are 28 free trade zones (FTZs) within Costa Rica, used by approximately 251 companies. Costa Rica's Foreign Commerce Promotion Agency (PROCOMER) manages the FTZ regime and has responsibility for registering all qualifying companies. PROCOMER's qualification process consists of conducting due diligence on a candidate company's finances and assessing the total cost of ownership. PROCOMER reports there were no evidence of trade-based money laundering activity in the FTZs in 2009.

Criminalizes narcotics money laundering: Yes

In 2002, the GOCR enacted Law 8204, which criminalizes the laundering of proceeds from crimes carrying a sentence of four years or more. In theory, Law 8204 applies to the movement of all capital. However, its articles and regulations have been narrowly interpreted so the law applies to those entities involved in the transfer of funds as a primary business purpose, such as banks, exchange houses and stock brokerages. It does not cover entities such as casinos, dealers in jewels and precious metals, insurance companies; intermediaries such as lawyers, accountants or broker/dealers; or Internet gaming operations. It also cannot be used to add an additional offense to the predicate crime (e.g., a drug dealer who is convicted on drug charges cannot also be prosecuted for money laundering). Even with these limitations, in recent years, 10 convictions have been obtained under the anti-money laundering provisions.

Criminalizes other money laundering, including terrorism-related: Yes

In March 2009, Costa Rica passed Law 8719, an anti-terrorist financing/money laundering regulation to address Law 8204's weaknesses and close money-laundering loopholes.

Criminalizes terrorist financing: Yes

In March 2009, Costa Rica passed Law 8719, an anti-terrorist financing/money laundering regulation to address Law 8204's weaknesses and close money-laundering loopholes.

Know-your-customer rules: Yes

The requirements to prohibit anonymous accounts, conduct ongoing customer due diligence, and identify beneficial owners are generally well covered by Act 8204.

Bank records retention: Yes

Law 8204 obligates financial institutions and other businesses to retain financial records for at least five years.

Suspicious transaction reporting: Yes

Law 8204 obligates financial institutions and other businesses to report suspicious transactions, regardless of the amount involved to Costa Rica's financial intelligence unit (FIU), the UIF. In 2009, the UIF received 518 suspicious transaction reports (STRs).

Large currency transaction reporting: Yes

Law 8204 obligates financial institutions and other businesses to report currency transactions over $10,000 to the UIF. The UIF does not directly receive cash transaction reports (CTRs). Each supervisory entity that receives CTRs holds them unless it determines that further analysis is required or the UIF requests the reports.

Narcotics asset seizure and forfeiture:

Articles 33 and 34 of Law 8204 cover asset forfeiture and stipulate that all movable or immovable property used in the commission of crimes covered by the Law shall be subject to preventative seizure. The banking industry closely cooperates with law enforcement efforts to trace funds and seize or freeze bank accounts. In July 2009, Costa Rica enacted a civil forfeiture procedure (Act 8754) to forfeit the assets of any person who cannot demonstrate, under a reversal of the burden of proof, that the origin of the assets is legal. Also, by Act 8719 of 2009 the FIU was given the power to administratively freeze assets or accounts that are subject to investigation, without a prior Court order (judicial confirmation must be obtained after seizure). This provision was used in several money laundering cases involving bulk cash smuggling during 2009. In addition, Act 8204 art. 33 included an administrative seizure and forfeiture provision for assets of persons listed in the UNSC Resolutions. During 2009, officials seized over $2.4 million in narcotics-related assets.

Narcotics asset sharing: No

It is unclear whether the GOCR will assist other countries in obtaining non-conviction-based forfeiture since, until 2009, its domestic laws only provided for conviction-based forfeiture. However, based on Act 8754, such assistance should be possible in future cases.

Cross-border currency transportation requirements: Yes

Declaration forms are required; all persons carrying over $10,000 when entering or exiting Costa Rica are required to declare it to Costa Rican officials at ports of entry. Cash smuggling reports are entered into a database and are shared with appropriate government agencies.

Cooperation with foreign governments (including refusals): Yes

No known impediments exist to cooperation. Articles 30 and 31 of Law 8204 grant authority to the UIF to cooperate with other countries in investigations, proceedings, and operations concerning financial and other crimes covered under that law.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Costa Rican authorities cannot block, seize, or freeze property of suspected terrorists and terrorist organizations listed on the UN 1267 Sanctions Committee consolidated list and the list of Specially

Designated Global Terrorists designated by the United States pursuant to Executive Order (E.O.) 13224 without prior judicial approval.

No assets related to designated individuals or entities were identified in Costa Rica in 2009. However, according to the GOCR there is some evidence of FARC (Revolutionary Armed Forces of Colombia) money laundering operations here. In April 2008, based on information obtained from a laptop used by FARC leader Raul Reyes, Costa Rican authorities raided the residence of a university professor and his spouse and found $480,000 in cash that was believed to be a "cash reserve" for the FARC in Costa Rica. However, at that time the anti-terrorist financing law (Law 8719) was not in place and no charges were filed at that time. There has been no further action by the prosecutor's office against this couple.

U.S.-related currency transactions:

There are over 250 Internet sports book companies registered to operate in Costa Rica. The industry, which normally moves $12 billion annually and employs 10,000 people, estimates their transactions have decreased by 20 percent this year.

Records exchange mechanism with U.S.:

Costa Rica fully cooperates with appropriate United States government law enforcement agencies investigating financial crimes related to narcotics and other crimes. Costa Rica's FIU exchanges financial information related to money laundering and terrorist financing with other Egmont Group members, including the United States.

International agreements:

Articles 30 and 31 of Law 8204 grant authority to the UIF to cooperate with other countries in investigations, proceedings, and operations concerning financial and other crimes covered under that law. There are memoranda of understanding (MOUs) between Costa Rica and Panama and the Bahamas to allow easy information exchanges. The GOCR has supervision agreements with its counterparts in both countries, permitting the review of correspondent banking operations.

Costa Rica is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

Costa Rica is a member of the Caribbean Financial Action Task Force (CFATF). Its most recent mutual evaluation can be found here: http://www.cfatf-gafic.org/mutual-evaluation-reports.html

Recommendations:

The Costa Rican legislature should pass the pending bill to better regulate casinos and other gaming establishments, including online gaming companies. The Government of Costa Rica should take steps to provide for the timely seizing and freezing of property of suspected terrorists and terrorist organizations listed on the UN 1267 Sanctions Committee consolidated list and the list of Specially Designated Global Terrorists designated by the United States pursuant to E.O. 13224.

Cyprus

Cyprus has been divided since the Turkish military intervention of 1974, following a coup d'état directed from Greece. Since then, the Republic of Cyprus (ROC) has controlled the southern two-thirds of the country, while a Turkish Cypriot administration calling itself the "Turkish Republic of Northern Cyprus (TRNC)" controls the northern part. Only Turkey recognizes the "TRNC." The U.S. Government recognizes only the Republic of Cyprus. This report primarily discusses the area controlled by the ROC but also includes a separate section on the area administered by Turkish Cypriots.

Cyprus is a major regional financial center with a robust financial services industry and a significant amount of nonresident businesses. A number of factors have contributed to the development of Cyprus as a financial center: a preferential tax regime; double tax treaties with 44 countries (including the United States, several European Union (EU) nations, and former Soviet Union nations); a sophisticated telecommunications infrastructure; and EU membership. In 2003, Cyprus introduced tax and legislative changes effectively abolishing all legal and substantive distinctions between domestic and offshore companies. Cyprus has also lifted the prohibition from doing business domestically and companies formerly classified as offshore are now free to engage in business locally.

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

Offshore Center: Yes

International business companies are allowed to be registered in Cyprus but their ultimate beneficial ownership must be disclosed to the authorities. Cyprus has a system in place allowing full access to information on the beneficial owners of every registered company. This includes companies doing business abroad and companies with foreign beneficial owners and shareholders. Bearer shares are not permitted in Cyprus. Nominee (anonymous) directors and/or trustees are not allowed. There are over 220,000 companies registered in Cyprus, many of which are non-resident. The same disclosure, reporting, tax and other laws and regulations apply equally to all registered companies. Cypriot authorities are aware of the risks posed by the large number of non-resident businesses and monitor potential money laundering activities. Companies not registered in Cyprus may open bank accounts here, but the banks must perform appropriate due diligence and follow Know-Your-Customer (KYC) regulations.

Free Trade Zones: Yes

Cyprus has three free trade zones. The first two, located in the main seaports of Limassol and Larnaca, are used only for transit trade, while the third, located near the international airport in Larnaca, can also be used for repacking and reprocessing. These areas are treated as being outside normal EU customs territory. Consequently, non-EU goods placed in free trade zones are not subject to any import duties, VAT or excise tax. Free trade zones are governed under the provisions of relevant EU and Cypriot legislation. The Department of Customs has jurisdiction over all three areas and can impose restrictions or prohibitions on certain activities, depending on the nature of the goods.

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

The Law for the Prevention and Suppression of Money Laundering Activities (LPSMLA) passed in 2007. The LPSMLA consolidated and superseded Cyprus' initial anti-money laundering legislation. The LPSMLA criminalizes all money laundering, with the definition of predicate offense being any criminal offense punishable by a prison term exceeding one year, including narcotics related money laundering.

Criminalizes terrorist financing: Yes

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

Sections four and eight of Ratification Law 29 (III) of 2001 criminalize terrorist financing. The implementing legislation criminalizes the collection of funds in the knowledge that they would be used by terrorists or terrorist groups for violent acts. The LPSMLA criminalizes the general collection of funds

with the knowledge that terrorists or terrorist groups would use them for any purpose (i.e., not just for violent acts); and explicitly covers terrorist finance.

Know-your-customer rules: Yes

The LPSMLA establishes know-your-customer (KYC) regulations that apply to traditional financial institutions as well as many designated non-financial businesses and professions (DNFBP), such as auditors, tax advisors, accountants, and in certain cases, attorneys, real estate agents, and dealers in precious stones and gems. The LPSMLA describes the method and timeline for applying customer due diligence and identification procedures, as well as enhanced due diligence. Central Bank money laundering directives place additional obligations on banks, including requirements on customer acceptance policy and the updating of customers' identification data and business profiles. Banks must have computerized risk management systems to verify whether a customer is a politically exposed person (PEP) and have adequate management information systems for on-line monitoring of customers' accounts and transactions.

Bank records retention: Yes

Obligated entities must retain client identification data, transaction records and business correspondence for five years upon termination of the business relationship or date of the last business transaction.

Suspicious transaction reporting: Yes

Bank employees must report all suspicious transactions to the bank's compliance officer, who determines whether to forward a report to the Cypriot financial intelligence unit (FIU) for investigation. Banks also must file monthly reports with the Central Bank indicating the total number of STRs submitted to the compliance officer and the number forwarded by the compliance officer to the FIU. Reporting individuals are fully protected by the law with respect to their cooperation with law enforcement authorities. Failure to report suspicious transactions is punishable under the law. Between January 1 and December 1, 2009, MOKAS, the Cypriot FIU, received 387 STRs.

Large currency transaction reporting: Yes

All banks must report to the Central Bank on a monthly basis individual cash deposits in any currency exceeding 10,000 euro (approximately $15,000).

Narcotics asset seizure and forfeiture:

Cyprus has enacted comprehensive legislation and established systems for identifying, tracing, freezing, seizing, and forfeiting narcotics-related assets and assets derived from other serious crimes. Like most EU countries, though, Cyprus has no provisions allowing civil forfeiture of assets. The Police and the FIU are responsible for tracing, seizing and freezing assets and they fully enforce existing legislation. Cyprus has an independent national system and mechanism for freezing terrorist assets, and has also engaged in bilateral and multilateral negotiations with other governments to enhance its asset tracking and seizure system. In March 2009, MOKAS was designated officially as Cyprus' Asset Recovery Office. Cyprus' asset forfeiture fund is managed by the Law Office of the Republic. Seized assets are passed on either to victims of the pertinent crime or to the government's consolidated budget. In 2009, MOKAS issued two confiscation orders for a total of approximately €5.5 million ($8.2 million), 16 Freezing orders, 3 registrations of foreign freezing or confiscation orders, and 18 Administrative Orders for postponement of transactions.

Narcotics asset sharing authority: Yes

Cyprus has enacted laws for the sharing of seized assets with foreign governments.

Cross-border currency transportation requirements: Yes

All travelers entering or leaving Cyprus with cash or gold valued at more than 10,000 euro (approximately $15,000) must declare it to Customs. Cash declaration and smuggling reports are entered into a database maintained by Customs, and shared with the Cypriot FIU and other government agencies.

Cooperation with foreign governments (including refusals): Yes

There are no legal issues hampering Cyprus' ability to assist foreign governments in mutual legal assistance requests.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Since 2004, there have been 261 prosecutions for money laundering derived from police and MOKAS investigations, eight of which took place in 2009 by MOKAS investigations. Of the 261 prosecutions, 132 have resulted in convictions.

The "TRNC's" lack of an adequate legal and institutional framework to provide effective protection against the risks of money laundering and terrorist financing could contribute to

U.S.-related currency transactions:

There is no information relating to whether currency transactions involving international narcotics trafficking proceeds that include significant amounts of U.S. currency or currency derived from illegal drug sales in the United States or that otherwise significantly affect the United States are occurring in Cyprus.

Records exchange mechanism with U.S.:

Cyprus and the United States are parties to a bilateral mutual legal assistance treaty that provides for exchange of information. The Cypriot FIU is able to share information with other FIUs without having an MOU in place.

International agreements:

Cypriot law allows MOKAS to share information with other FIUs without benefit of a memorandum of understanding (MOU).

In July 2009, a new amending law (N 73(I)/2009) came into effect amending the structure, responsibility and powers of the Cyprus Securities and Exchange Commission (CSEC). The amendment allows the CSEC to cooperate fully with foreign regulators and to obtain information regarding the beneficial owners of any Cypriot-registered company.

Cyprus is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

Cyprus is a member of the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body (FSRB). It's most recent mutual evaluation can be found here: www.coe.int/t/dghl/monitoring/moneyval/default_en.asp

Area Administered by Turkish Cypriots

The Turkish Cypriot community continues to lack the legal and institutional framework necessary to provide effective protection against the risks of money laundering, although significant progress has been made over the last year with the passage of laws better regulating the onshore and offshore banking

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

The Turkish Cypriot community is not part of any FSRB and thus is not subject to normal peer evaluations. In 2007, FATF conducted an informal review and found numerous shortcomings in AML laws and regulations as well as insufficient resources devoted to the effort. After including the northern part of Cyprus as an area of concern for money laundering in February 2008, FATF found "significant progress" had been made by its October 2008 meeting and subsequently removed the northern part of Cyprus as an area of concern in February 2009.

Adoption of essential laws and regulations:

Turkish Cypriot authorities have taken steps to address the risk of financial crime, including enacting an anti-money laundering "law" (AMLL) for the area and formally establishing an FIU equivalent. The "law" aims to reduce the number of cash transactions in the area administered by Turkish Cypriots as well as improve the tracking of any transactions above 10,000 Euros (approximately $15,000). Under the AMLL, banks must report to the "Central Bank" and the "Money and Exchange Bureau" any electronic transfers of funds in excess of $100,000. Such reports must include information identifying the person transferring the money, the source of the money, and its destination. Under the new "law," banks, nonbank financial institutions, and foreign exchange dealers must report all currency transactions over 10,000 Euros (approximately $15,000) and suspicious transactions in any amount to the "Money and Exchange Bureau". Banks must follow a KYC policy and require customer identification. Banks also must submit STRs to a five-member "Anti-Money Laundering Committee" which decides whether to refer suspicious cases to the police and the "attorney general's office" for further investigation. The five-member committee is composed of representatives of the "police," "customs," the "Central Bank," and the "Ministry of Economy". According to the Turkish Cypriot authorities, 102 STRs were received by the "FIU" in 2009.

Cross border currency transportation requirements:

The AMLL requires individuals entering the area administered by Turkish Cypriots to declare cash over 10,000 Euros (approximately $15,000) and prohibits individuals leaving the area administered by Turkish Cypriots from transporting more than 10,000 Euros (approximately $15,000) in currency. However, "Central Bank" officials note that this "law" is difficult to enforce.

Recommendations:

The Government of the Republic of Cyprus has put in place a comprehensive anti-money laundering/counterterrorist financing regime, which it continues to upgrade. It should continue its planned improvements.

The Turkish Cypriot AMLL provides better banking regulations than were in force previously, but without ongoing enforcement its objectives cannot be met. A major weakness continues to be the many casinos, where a lack of resources and expertise leave the area essentially unregulated, and therefore, especially vulnerable to money laundering abuse. A "law" to regulate potential AML activity in casinos

is currently being considered for amendment that would essentially decriminalize failure to implement KYC rules. The largely unregulated consumer finance institutions and currency exchange houses are also of concern. The Turkish Cypriot authorities should continue efforts to enhance their "FIU," and adopt and implement a strong licensing and regulatory environment for all obligated institutions, in particular casinos and money exchange houses. Turkish Cypriot authorities should stringently enforce the cross-border currency declaration requirements. Turkish Cypriot authorities should continue steps to enhance the expertise of members of the enforcement, regulatory, and financial communities with an objective of better regulatory guidance, more efficient STR reporting, better analysis of reports, and enhanced use of legal tools available for prosecutions.

Dominican Republic

The Dominican Republic (DR) is not considered an important regional financial center. However, the DR has the largest economy in the Caribbean and it is a major transit point for narcotics. The existence of six international airports, as well as several seaports and a long frontier with Haiti, at which security is poor, present the authorities with serious challenges. Financial institutions in the DR engage in currency transactions involving the proceeds of international narcotics trafficking, including significant amounts of currency derived from illegal drug sales in the United States. The smuggling of bulk cash by couriers and the use of wire transfer remittances are the primary methods for moving illicit funds from the United States into the DR. Once in the DR, currency exchange houses, money remittance companies, real estate and construction companies, and casinos are commonly used to facilitate the laundering of illicit funds. The lack of a viable financial intelligence unit exacerbates, and the proposed creation of an offshore financial center may worsen the Dominican Republic's vulnerability to money laundering.

Offshore Center: Legally authorized

In December 2008, the DR passed a law allowing for the creation of "International Financial Zones" (IFZs) in which the full range of financial services can be conducted completely separately from traditional monetary, banking and financial regulatory oversight. The IFZs will have their own regulatory and supervisory authority, which is independent from that of the domestic financial system. This appears to create a risk that IFZs cannot be regulated on anti-money laundering/counter-terrorist financing (AML/CFT) matters. The 2008 law has not yet been implemented.

Free Trade Zones: Yes

The Dominican Republic has approximately 50 Free Trade Zone parks, focused on textiles, tobacco, small electric devices, and medical and pharmaceutical products.

Criminalizes narcotics money laundering: Yes

Money laundering in the DR is criminalized under Act 17 of 1995 (the 1995 Narcotics Law) and Law No. 72-02 of 2002. Under these laws, the predicate offenses for money laundering include illegal drug activity, trafficking in human beings or human organs, arms trafficking, kidnapping, extortion related to recordings and electronic tapes, theft of vehicles, counterfeiting of currency, fraud against the state, embezzlement, and extortion and bribery related to drug trafficking. Law 183-02 also imposes financial penalties on institutions that engage in money laundering.

Criminalizes other money laundering, including terrorism-related: Yes

See above. Terrorist financing is also a predicate offense for money laundering.

Criminalizes terrorist financing: Yes

In August 2008, the Government of the Dominican Republic (GODR) criminalized terrorist financing with the enactment of the Anti-Terrorism Law 267-8.

Know-your-customer rules: Yes

Under Law No. 72-02 and Decree No. 288-1996, numerous financial and non-financial institutions are subject to anti-money laundering provisions. Obligated entities include banks, currency exchange houses, stockbrokers, securities brokers, cashers of checks or other types of negotiable instruments, issuers/sellers/cashers of travelers checks or money orders, credit and debit card companies, remittance companies, offshore financial service providers, casinos, real estate agents, automobile dealerships, insurance companies, and certain commercial entities such as those dealing in firearms and precious metals.

Bank records retention: Yes

Records must be maintained for a minimum of five years.

Suspicious transaction reporting: Yes

In 1997, the DR established a requirement that reporting entities in the financial sector file suspicious transaction reports (STRs).

Large currency transaction reporting: Yes

Reporting entities must report all currency transactions exceeding $10,000.

Narcotics asset seizure and forfeiture:

The 1995 Narcotics Law allows preventive seizures and criminal forfeiture of drug-related assets, and authorizes international cooperation in forfeiture cases. Law No. 78-03 permits the seizure, conservation and administration of assets that are the product or instrument of criminal acts pending judgment and sentencing. However, there is a lack of regulations to implement the legislation which has led to ineffective asset inventory and management. In addition, according Dominican Republic officials, the Civil Code (articles 1131, 1349, and 1350) provides for the annulment of agreements or contracts entered into to disguise the ownership of property. However, there is no indication that these provisions have yet been used.

In December 2009, over 20 DR properties worth millions of dollars were seized from a Spanish citizen linked to an international network of narcotics traffickers that used the country to launder hundreds of millions of dollars.

Narcotics asset sharing authority: Yes

The GODR has bilateral agreements with other countries and is in the process of enhancing asset tracing, freezing and seizure abilities. The United States is negotiating an Asset Sharing Agreement with Dominican Republic officials in light of several multi-million joint forfeiture cases which are pending.

Cross-border currency transportation requirements: Yes

Individuals must declare cross-border movements of currency that are equal to or greater than the equivalent of $10,000 in domestic or foreign currency.

Cooperation with foreign governments: Yes

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

The absence of political will and corruption continue to be major factors limiting enforcement efforts. For example, large sums of bulk cash are allowed to transit the country by corrupt military and law enforcement, in return for a fee. Also, a significant market exists for smuggled, counterfeit, copied and stolen goods, especially pharmaceuticals. There is virtually no enforcement of regulations to prohibit the sale of smuggled goods, and patent/copyright laws only call for civil penalties.

In 1997, the DR created an FIU. Subsequently, in 2002, a second FIU was established that was given the mandate to receive STRs from both financial and non-financial reporting entities, as well as present leads to the prosecutors' office. According to the GODR, the second entity has replaced the original FIU as the official FIU of the Dominican Republic. This duplicity of FIUs caused, and still causes, confusion among obligated entities regarding their reporting requirements. Also, the DR lost its membership in the Egmont Group in November 2006 as its present FIU is not the legally recognized FIU of the Dominican Republic. The DR does not currently have representation in the Egmont Group.

From January 2004 to July 2009, there have been 50 money laundering investigations and 12 convictions.

U.S.-related currency transactions:

A tremendous amount of bulk cash smuggling takes place, representing the proceeds of narcotics that transit the DR.

Records exchange mechanism with U.S.: No

The DR and the United States do not have a mutual legal assistance treaty in place. The United States continues to encourage the GODR to sign and ratify the Inter-American Convention on Mutual Assistance in criminal matters, and to sign related money laundering conventions.

The 1909 U.S.-Dominican Extradition Treaty lists crimes for which suspects or fugitives may be delivered to the other nation. These crimes include embezzlement, "obtaining [or] receiving money [etc.] knowing the same to have been unlawfully obtained" and fraud.

International agreements:

The Dominican Republic is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption – Yes

The DR is a member of the Caribbean Financial Action Task Force (CFATF). Its most recent mutual evaluation can be found here: http://www.cfatf-gafic.org/downloadables/mer/Dominican_Republic_3rd_Round_MER_%28Final%29_English.pdf

Recommendations:

Weak implementation of anti-money laundering legislation leaves the Dominican Republic vulnerable to criminal financial activity. Resources dedicated to combat money laundering need to be increased and roles need to be clearly defined in enforcement efforts. Moreover, it does not appear that the Dominican judiciary is well prepared to handle complex financial crimes. There should be enhanced supervision of money service businesses. The Government of the Dominican Republic (GODR) should bolster the operational capacity of the fledgling FIU and ensure a full transition of FIU functions. The FIU should have budgetary independence. The GODR should not establish International Financial Zones, which will greatly increase the risk of all-source money laundering. Specific steps should be taken to combat corruption within both government and industry.

France

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

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

France criminalizes money laundering through Articles 222-38 (2002) and 324-1 through 324-6 (2002) of the Penal Code and Article 415 of the Customs Code.

Criminalizes other money laundering, including terrorism-related: Yes

France criminalizes money laundering through Articles 222-38 (2002) and 324-1 through 324-6 (2002) of the Penal Code and Article 415 of the Customs Code. The legal procedure for criminal conspiracy applies to money laundering crimes. The Third European Union (EU) Money Laundering Directive is implemented by Ordinance No. 2009-104 of January 30, 2009. Decree No. 2009-874 of July 16, 2009, and Decree No. 2009-1087 of September 2, 2009 have been enacted in order to make the EU Directive effective.

Criminalizes terrorist financing: Yes

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

Terrorist financing is a criminal offense under Article 421-2-2 of the Penal Code (2001).

Know-your-customer rules: Yes

Before entering into a contractual relationship or assisting a customer in the preparation or conduct of a transaction, financial entities subject to transaction reporting requirements must identify their customers and verify their identities via presentation of a document bearing a photograph of the client. Financial entities must identify and verify the identity of occasional customers with respect to transactions above euro 8000 or rental of a safe-deposit box. For casinos and other gaming entities, the threshold is euro 1500. Know-your-customer (KYC) regulations also apply to credit institutions, financial institutions, casinos, and insurance companies and brokers.

Bank records retention: Yes

Financial entities are required to retain all documents relating to the identity of their regular and occasional customers and documents pertaining to transactions for five years following the closing of the account or the termination of the business relationship, or the date of completion of the transaction.

Suspicious transaction reporting: Yes

Obligated entities are required to submit suspicious transaction reports (STRs) to the Unit for Treatment of Intelligence and Action Against Clandestine Financial Circuits (TRACFIN) France's financial intelligence unit (FIU). TRACFIN received 14,565 STRs in 2008... The FIU referred 359 cases to the judicial authorities in 2008.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture: Yes

Law No. 96-392 of 1996 institutes procedures for seizure and confiscation of the proceeds of crime. French law permits seizure of all or part of property. In cases of terrorist financing, France has promulgated an additional penalty of confiscation of the total assets of the terrorist offender.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: Yes

Travelers entering or leaving the EU and carrying any sum equal to or exceeding euro 10,000 (approximately $14,000) or negotiable monetary instruments are required to make a declaration to the customs authorities. No reporting is required when crossing country borders within the EU.

Cooperation with foreign governments: Yes

There are no known impediments to international cooperation.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

French law enforcement authorities actively investigate money laundering and terror finance.

French authorities have moved rapidly to identify and freeze financial assets of organizations associated with al-Qaida and the Taliban under UNSCR 1267.

U.S.-related currency transactions:

Currency transactions involving international narcotics trafficking proceeds do not appear to include significant amounts of U.S. currency.

Records exchange mechanism with U.S.:

The United States and France entered into a mutual legal assistance treaty (MLAT) in 2001. Through MLAT requests and by other means, France and the United States have exchanged large amounts of data in connection with money laundering and terrorist financing. TRACFIN has an information-sharing agreement with the U.S. Financial Crimes Enforcement Network (FinCEN).

International agreements:

TRACFIN may exchange information with foreign counterparts that observe similar rules regarding reciprocity and confidentiality of information. TRACFIN has information sharing agreements with 32 foreign FIUs, including FinCEN. France is a party to various information exchange agreements and is an active participant in international efforts to combat global money laundering, terrorist finance, and transnational crime.

France is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- UN Convention against Corruption - Yes

France is a member of the Financial Action Task Force (FATF). It is a Cooperating and Supporting Nation to the Caribbean Financial Action Task Force (CFATF) and an Observer to the Financial Action Task Force of South America (GAFISUD), both FATF-style regional bodies. Compliance with the FATF recommendations was evaluated in a report prepared by the International Monetary Fund's Financial Sector Assessment Program. The report can be found here:
http://www.imf.org/external/np/fsap/fsap.asp#

Recommendations:

The Government of France (GOF) has established a comprehensive anti-money laundering/counter-terrorist financing (AML/CFT) regime and is an active partner in international efforts to control money laundering and the financing of terrorism. France should continue its active participation in international organizations and its outreach to lower-capacity recipient countries to combat the domestic and global threats of money laundering and terrorist financing. The GOF should enact a compulsory written cash declaration regime at its airports and borders to ensure that travelers entering and exiting France provide, in writing, a record of their conveyance of currency or monetary instruments.

Germany

Germany is one of the largest financial centers in Europe. Most of the money laundering that occurs in Germany relates to white-collar crime. Although not a major drug producing country, Germany continues to be a consumer and a major transit hub for narcotics. Organized criminal groups involved in drug-trafficking and other illegal activities are an additional source of money laundering in Germany.

Offshore Center: No

Free Trade Zones: Yes

Free Trade Zones of Hamburg, Bremerhaven, and Cuxhaven

Criminalizes narcotics money laundering: Yes

The German Criminal Code Section 261.

Criminalizes other money laundering, including terrorism-related: Yes

German Criminal Code, Sections 261 ("Money Laundering: concealment of Unlawfully Acquired Assets"), 129 ("Formation of Criminal Organization"), 129a ("Formation of Terrorist Organizations"), and 129b ("Criminal and Terrorist Organizations Abroad"). Section 261 was incorporated into the Criminal Code through the "Act on Suppression of Illegal Drug Trafficking and other Manifestations of Organized Crime" which became effective in 1992. Since 1992, the Act has been amended several times, mainly to extend the list of predicate offenses for money laundering. In 2002, terrorist financing was added to the Criminal Code as a predicate offense for money laundering.

In August 2008, the passage of the Act amending the Money Laundering Suppression Act updated and replaced the original 1993 Money Laundering Act. It also incorporates the requirements of the Third EU Money Laundering Directive into German law and provides an enhanced legal definition for terrorist financing.

Criminalizes terrorist financing: Yes

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

See previous section.

Know-your-customer rules: Yes

In August 2008, new legislation entered into force that contains further provisions on customer due diligence and other internal risk-management measures to prevent money laundering and terrorist financing. The new regulations apply to banks, insurance companies, and a number of professional groups (e.g., financial services providers, lawyers, notaries public, tax advisors, and other business operators).

Bank records retention: Yes

Covered institutions are obligated to record all details obtained for the purposes of identification. The information obtained is to be recorded in the data files of the institution or a copy of the identity documents may be made and retained. In addition to the recording and retaining of customer identification data, along with the accompanying contractual and/or account opening documents and relevant correspondence, institutions must also keep a complete record of the information pertaining to all transactions effected by the customer within the scope of a business relationship.

Suspicious transaction reporting: Yes

Financial and non-financial institutions must file suspicious transaction reports (STRs) when there are suspicions that a transaction serves or – if accomplished – would serve the purpose of money laundering or of financing a terrorist group. There is currently no currency reporting threshold for suspicious

transaction filing. Reporting is mandated by a variety of entities, including notaries, accountants, tax consultants, casinos, luxury item retailers, and attorneys. Information for 2009 was unavailable, but in 2008, obligated entities filed 7,349 STRs, generating 2,197 indications of potential criminal offenses.

Large currency transaction reporting: No

No requirement exists for systematic reporting of large cash transactions.

Narcotics asset seizure and forfeiture:

German law provides for the tracing, freezing, and seizure of assets. An amendment to the Banking Act institutes a broad legal basis for Germany to order frozen assets of EU residents suspected as terrorists. Authorities primarily concentrate on financial assets. Germany's system allows immediate identification of financial assets that can be potentially frozen, and German law enforcement authorities can freeze accounts for up to nine months. However, unless the assets belong to an individual or entity designated by the UNSCR 1267 Sanctions Committee, Germany cannot seize money until authorities prove in court that the funds were derived from criminal activity or intended for terrorist activity. Germany participates in United Nations and EU processes to monitor and freeze the assets of terrorists. The names of suspected terrorists and terrorist organizations listed on the UNSCR 1267 Sanctions Committee's consolidated list and those designated by EU or German authorities are regularly disseminated to financial institutions. A court can order the freezing of nonfinancial assets. Germany has taken the view that the EU Council Common Position requires, at a minimum, a criminal investigation to establish a sufficient legal basis for freezes under the EU 931 Working Party process. Proceeds from asset seizures and forfeitures go into the federal government treasury.

Narcotics asset sharing authority:

Legislation implementing the EU Council Framework Decision 2006/783/JHA, on the application of the principle of mutual recognition of confiscation orders, entered into force on October 22, 2009. The legislation amended the law on International Cooperation in Criminal Matters and allows for assets to be shared with other EU member states. The new legislation also makes it possible for Germany to share confiscated assets with non-EU member states on a case-by-case basis.

Cross-border currency transportation requirements: Yes

As of June 15, 2007, travelers entering Germany from a non-EU country or traveling to a non-EU country with 10,000 Euros (approximately $14,559) or more in cash must declare their cash in writing. The definition of "cash" includes currency, checks, traveler's checks, money orders, bills of exchange, promissory notes, shares, debentures, and due interest warrants (coupons). The written declaration must also include personal data, travel itinerary and means of transport as well as the total amount of money being transported, its source, its intended purpose, and the identities of the owner and the payee. If authorities doubt the information given, or if there are other grounds to suspect money laundering or the funding of a terrorist organization, the cash will be placed under customs custody until the matter has been investigated. Penalties for non-declaration or false declaration include a fine of up to one million Euros (approximately $1,455,900).

Cooperation with foreign governments (including refusals):

No legal issues hamper the government's ability to assist foreign governments in mutual legal assistance requests

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

There are no known implementation issues.

U.S.-related currency transactions:

Currency transactions related to international narcotics trafficking do not evidence an extensive connection to the United States nor do they involve a significant amount of U.S. currency.

Records exchange mechanism with U.S.:

Germany and the United States are parties to a bilateral mutual legal assistance treaty (MLAT) that entered into effect on October 18, 2009, that provides for exchange of information. Germany exchanges law enforcement information with the United States through bilateral law enforcement agreements and informal mechanisms, and the United States and German authorities have conducted joint investigations. Instruments of ratification to implement the Second Supplementary Treaty to the Treaty between the U.S. and Germany concerning Extradition were exchanged in 2009 and the agreement will enter into force on February 1, 2010. The German FIU does not have a memorandum of understanding (MOU) in place with FinCEN, and German law does not require that an MOU be in effect prior to exchanging information with foreign financial intelligence units.

International agreements:

The German government has mutual legal assistance treaties in criminal matters with numerous countries.

Germany is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

Germany is a member of the Financial Action Task Force (FATF). When the FATF reviews and adopts Germany's third round mutual evaluation report in February 2010, it will be posted on the FATF website: www.fatf-gafi.org

Recommendations: The Government of Germany's AML laws and its ratification of international instruments underline Germany's continued efforts to combat money laundering and terrorist financing. Germany should amend its wire transfer legislation to ensure that originator information applies to all cross-border transfers, including those within the EU. Germany should also consider the adoption of large currency transaction reporting requirements. It should also amend legislation to waive the asset freezing restrictions in the EU 931 Working Party process for financial crime and terrorist financing, so that the freezing process does not require a criminal investigation; as well as amend its legislation to allow asset sharing with other countries. Germany should ratify the UN Convention against Corruption.

Greece

Greece is becoming a regional financial center in the rapidly developing Balkans as well as a bridge between Europe and the Middle East. Anecdotal evidence of illicit transactions suggests an increase in financial crimes in the past three to four years. Greek law enforcement proceedings indicate that Greece is vulnerable to narcotics trafficking, trafficking in persons and illegal immigration, prostitution, cigarette and other forms of smuggling, serious fraud or theft, illicit gambling activities, and large scale tax evasion. Criminally-derived proceeds historically are most commonly invested in real estate, the lottery, and the stock market. Criminal organizations from southeastern Europe and the Balkan region execute a large percentage of crime generating illicit funds. The widespread use of cash facilitates a gray economy as well as tax evasion. Due to the large informal economy – estimated by the OECD to be between 25 and 37 percent of GDP – it is difficult to determine the amount of smuggled goods into the country, including whether any of it is funded by narcotic proceeds or other illicit proceeds. There is increasing evidence that domestic terrorist groups are involved with drug-trafficking.

Offshore Center:

Greek authorities maintain that Greece is not an offshore financial center. Under Law 3427/2005, foreign and domestic companies may provide specific services to enterprises not established in Greece. These companies must employ at least four employees and have at least 100,000 Euros (approximately $144,000) in annual operating expenses in Greece. These entities must apply for a special license with the Ministry of Finance (MoF). They do not receive a tax exemption and must comply with anti-money laundering/counter-terrorist financing (AML/CFT) requirements. Pursuant to Article 10 of Law 3691/2008, the MoF will need to obtain and catalog additional registry information.

Shipping companies, known for their complex corporate and ownership structures, and which reportedly can be used to hide the identity of the beneficial owner, are not governed by Law 3427, but rather by Laws 27/1975 and 378/1968. Although companies must keep a receipts and expenses book, they have no obligation to publish financial statements. These firms frequently fall under the authority of non-Greek jurisdictions and often operate through a large number of intermediaries, potentially serving as a vehicle for money laundering. Greek law allows banking authorities to check these companies' transactions, but authorities need the cooperation of other jurisdictions for audits to be effective.

Free Trade Zones: Yes

Greece has three free trade zones, located at the ports of Piraeus, Thessalonica, and Heraklion, where foreign goods may be imported without payment of customs duties or other taxes if they are subsequently transshipped or re-exported. There is no information regarding whether criminals use these zones in trade-based money laundering (TBML) or in terrorist financing schemes.

Criminalizes narcotics money laundering: Yes

See below.

Criminalizes other money laundering, including terrorism-related: Yes

On August 5, 2008, Greece passed Law 3691/2008 that clearly defines money laundering (a criminal offense) and includes as predicate offenses all offenses punishable by a minimum penalty of more than six months imprisonment and which generate any economic benefit. The law makes a money laundering conviction possible without a conviction for a predicate offense and extends the definition of illicit proceeds to include any type or value of property involved.

Criminalizes terrorist financing: Yes

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

Law 3691/2008 stipulates that terrorist financing is both a stand-alone offense and a predicate offense for money laundering. An amendment of the penal code extends the scope of terrorist financing to include individual terrorist acts and individual terrorists. The law does not require that a terrorist act actually occur or that funding be used to finance a particular act, only that funds be used to finance terrorist organizations or groups, or individual terrorists or terrorist acts.

Know-your-customer rules*:* Yes

Law 3691/2008 mandates a risk-based approach for all financial institutions, now inclusive of *bureaux de change*, money remitters, brokerage firms, investment firms, mutual fund management companies, portfolio investment companies, real estate investment trusts, financial intermediation firms, clearing houses and their administrators, and designated nonfinancial businesses and professions, with enhanced due diligence for some clients and politically exposed persons. The law also mandates identification of beneficial owners, defined as individuals who own or control 25 percent plus one share of a legal entity. Per rule 109/2008 issued in December 2008, all customer due diligence provisions (CDD) now apply to insurance intermediaries, such as brokers and agents. Under a March Decision by the Bank of Greece,

offshore companies and special purpose vehicles as well as nonprofit organizations with bank accounts in Greece are designated as high risk and subject to enhanced due diligence.

***Bank records retention**:* Yes

The law requires that banks and financial institutions maintain adequate records and supporting documents for at least five years after ending a relationship with a customer, or, in the case of occasional transactions, for five years after the date of the transaction.

***Suspicious transaction reporting**:* Yes

Law 3691/2008 mandates that banks, nonbank financial institutions, and designated non-financial businesses must submit suspicious transaction reports (STRs) for any unusual or suspicious transactions or attempted transactions where money laundering or terrorist financing is suspected. Of the 2,899 STRs received in 2008, 1,102 were investigated, 103 of those resulted in prosecution, and ten resulted in the issuance of freezing orders by the financial intelligence unit (FIU). In 2009, of the 2,304 STRs filed, 1,514 were investigated, 81 resulted in prosecution, and 118 resulted in the issuance of freezing orders by the FIU.

***Large currency transaction reporting*:**

No information provided.

Narcotics asset seizure and forfeiture:

Law 3691/2008 provides for freezing, seizing, and confiscation of direct and indirect proceeds of a crime, or in the attempt of a crime, and empowers the FIU to freeze direct and indirect assets of persons involved in money laundering cases. In addition, the FIU can now freeze assets in urgent money laundering and terrorist financing cases without first having to open a criminal investigation. According to Article 46 of Law 3691, assets derived from a predicate offense, acquired directly or indirectly out of the proceeds of such offenses, or the means that were used or were going to be used for committing these offenses shall be seized and, if there is no legal reason for returning them to the owner, shall be compulsorily confiscated by virtue of the court's sentence." A total of 14.55 million Euros (approximately $20.9 million) in assets were frozen by the FIU in 2009.

With regard to terrorist financing, Article 49 of Law 3691 provides that by administrative decisions of the Minister of Finance, assets of any nature of persons (natural or legal), entities or groups listed in the United Nations Security Council Resolution (UNSCR) 1267 Sanctions Committee consolidated list, European Union (EU) catalogues, and EU regulations or decisions may be immediately frozen upon identification. Moreover, the judicial authorities and the Greek FIU may order the immediate freezing of any assets which appear to be linked to terrorist activities in general.

Narcotics asset sharing:

There is no information on whether Greece has enacted laws for sharing of seized assets with other governments.

Cross-border currency transportation requirements: Yes

According to the Government of Greece (GOG), EU Regulation 1889/2005 on cross-border declaration and disclosure is applicable in Greece. Customs exercise cash controls by persons entering or leaving the country. As such, they make use of the mandatory declaration system at borders. They have the legal authority to impose sanctions (25 percent of the undeclared amount). If the funds prove to have money laundering or terrorist financing roots, they are seized according to Law 3691.

Cooperation with foreign governments (including refusals): Yes

No known impediments exist.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues/comments:

The Greek authorities indicate the FIU finalized a new STR form in June 2009 for the banking and financial sector; however, such forms are still not available for the remaining entities. The FIU claims it is in the process of finalizing such a form for the non-bank financial sector. Additionally, the FIU has insufficient physical and electronic security systems in place to securely protect the information it holds. Although the FIU has established a database to track STR submissions, it is insufficient to meet the FIU's needs, as STRs are hand delivered to the FIU on paper.

In 2008, there were 247 money laundering cases under investigation, 42 prosecutions, and 34 convictions; for the first half of 2009, there were 219 cases under investigation, an unknown number of prosecutions, and 20 convictions.

U.S.-related currency transactions:

Currency transactions involving international narcotics-trafficking proceeds do not appear to include significant amounts of U.S. currency.

Records exchange mechanism with U.S.:

Greece exchanges information on money laundering through its mutual legal assistance treaty (MLAT) with the United States, which entered into force November 20, 2001. The Bilateral Police Cooperation Protocol provides a mechanism for exchanging records with U.S. authorities in connection with investigations and proceedings related to narcotics trafficking, terrorism, and terrorist financing. Cooperation between the U.S. Drug Enforcement Administration and the GOG has been and continues to be extensive.

International agreements:

Greece has signed bilateral police cooperation agreements with 19 countries. It also has a trilateral police cooperation agreement with Bulgaria and Romania, and a bilateral agreement with Ukraine to combat terrorism, drug-trafficking, organized crime, and other criminal activities. The Greek FIU cooperates smoothly with its counterparts internationally. The FIU has enhanced its cooperation with other FIUs bilaterally by signing memoranda of understanding (MOUs).

Following an initiative of the Bank of Greece, a multilateral MOU was signed, on high-level principles of co-operation and coordination, by the banking supervisors of Southeastern Europe. As of August 2008, the signing parties were: the Bank of Albania, the Bank of Greece, the National Bank of the Republic of the Former Yugoslav Republic of Macedonia, the National Bank of Romania, the Bulgarian National Bank, the National Bank of Serbia, the Central Bank of Cyprus, Bosnia and Herzegovina, and the Central Bank of Montenegro. Regarding money laundering and terrorist financing, the signing parties will co-operate to ensure that the cross-border banking groups apply effective CDD policies and procedures across their operations. In addition, the parties will exchange views on trends and methods (typologies) of money laundering and/or terrorist financing prevailing in the region with a view to developing guidance for the institutions under their supervision.

Greece is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - No
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption -Yes

Greece is a member of the FATF. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/2/55/38987373.pdf

Recommendations:

The Government of Greece should make available adequate human and financial resources to ensure the FIU is able to fulfill its responsibilities. The GOG should ensure the FIU gets the necessary funding and training to develop an improved data management system capable of meeting the needs of the FIU. This includes improving its technical standards and capabilities so that analysts can effectively use its database. In addition, Greece should dedicate additional resources to the investigation and prosecution of money laundering cases, and increase specialization and training on money laundering and terrorist financing for law enforcement and judicial authorities. The GOG should ensure adequate regulation and supervision of lawyers, notaries, and nonprofits, and should ensure that supervision carried out by the supervisory bodies is effective. The GOG should issue clear guidance to financial institutions and DNFBPs on freezing assets; improve their asset freezing capabilities, and develop a clear and effective system for identifying and freezing terrorist assets. Greece should also ensure uniform enforcement of its cross-border currency reporting requirements and take further steps to deter the smuggling of currency across its borders; and explicitly abolish company-issued bearer shares. Greece also should ensure that companies operating within its free trade zones are subject to the same anti-money laundering/counter-terrorist financing (AML/CFT) requirements and CDD provisions as in other sectors and bring charitable and nonprofit organizations under the AML/CFT regime. Finally, Greece should ratify the UN Convention against Transnational Organized Crime.

Guatemala

Historically weak law enforcement and judiciary systems coupled with endemic corruption and increasing organized crime activity contribute to a favorable climate for significant money laundering in Guatemala. According to law enforcement agencies, narcotics trafficking and corruption are the primary sources of money laundered in Guatemala; however, the laundering of proceeds from other illicit activities, such as human trafficking, contraband, kidnapping, tax evasion, and vehicle theft, is substantial.

Offshore Center: Yes

In June 2002, Guatemala enacted the Banks and Financial Groups Law (No. 19-2002), which placed offshore banks under the supervision of the Superintendence of Banks (SIB). The law requires offshore banks that belong to a Guatemalan financial group to be authorized by the Monetary Board and to maintain an affiliation with a domestic institution. It also prohibits an offshore bank that is authorized in Guatemala from conducting financial intermediation activities in another jurisdiction. Banks authorized by other jurisdictions may do business in Guatemala under certain limited conditions. By law, no offshore financial services businesses, other than banks, are allowed. There are no exchange controls and dollar accounts are common. Some larger banks conduct significant business through their offshore subsidiaries.

Free Trade Zones: Yes

Guatemala's relatively small free trade zones target regional "*maquila*" (assembly line industry) and logistics center operations and are not considered by officials to be a major money laundering concern, although some proceeds from tax-related contraband may be laundered through them. The Ministry of Economy reviews and approves applications for companies to open facilities in free trade zones and confirms their business operations meet legal requirements.

Criminalizes narcotics money laundering: Yes

Decree 67-2001, the Law against Money and Asset Laundering, criminalizes money laundering in Guatemala. Conspiracy and attempt to commit money laundering are also penalized.

Criminalizes other money laundering, including terrorism-related: Yes

The law applies to money laundering from any crime where illegal proceeds are generated and does not require a minimum threshold to be invoked.

Criminalizes terrorist financing: Yes

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

In June 2005, the Guatemalan Congress passed legislation criminalizing terrorist financing, the Law Against the Financing of Terrorism. Implementing regulations were enacted by the Monetary Board in December 2005. The counter-terrorist financing legislation also clarifies the legality of freezing assets in the absence of a conviction where the assets were destined to support terrorists or terrorist acts. The Law Against the Financing of Terrorism also requires remitters to maintain name and address information on senders (97 percent are U. S. based) of transfers equal to or over $2,000.

Know-your-customer rules: Yes

The Guatemalan Monetary Board's Resolution JM-191, which approved the Regulation to Prevent and Detect the Laundering of Assets (RPDLA), establishes anti-money laundering requirements for financial institutions including know-your-customer provisions. Financial institutions are required to keep a registry of their customers. In 2009, the FIU developed a list of Politically Exposed Persons (PEPs) and began requiring individuals on the list and their immediate family members to explain the source of deposited funds.

Bank records retention: Yes

Financial institutions must keep customer registries and records of transactions for five years.

Suspicious transaction reporting: Yes

Financial institutions are also mandated by law to report all suspicious transactions to the financial intelligence unit (FIU). The FIU received 330 suspicious transaction reports (STRs) in 2008 and 214 from January to October 2009.

Large currency transaction reporting: Yes

Financial institutions must keep records of cash transactions exceeding $10,000 or more per day. Cash transaction reports are forwarded to the FIU. As of June 1, 2009, the FIU issued new regulations requiring all individuals and legal entities involved in the purchase or sale of real estate, motorized vehicles (including cars, tractors, motorcycles, and boats), jewelry, gems, precious metals, art and antiques to report transactions in cash above $10,000.

Narcotics asset seizure and forfeiture: Yes

Current law permits the seizure of any assets linked to money laundering. The FIU, the National Civil Police, and the Public Ministry have the authority to trace assets; the Public Ministry can seize assets temporarily in urgent circumstances, and the courts (administered by the Supreme Court of Justice) have the authority to permanently seize assets. In 2006, Guatemala passed an Anti-Organized Crime Law. The Anti-Organized Crime Law also provides for a summary procedure to forfeit the seized assets and allows both civil and criminal forfeiture.

In 2009, the Legislative and Constitutional Affairs Committee of Congress developed a draft Asset Forfeiture Law with the aim of creating a civil forfeiture process that would be complimentary to the provisions in the Anti-Organized Crime Law. The draft bill has not yet been presented to the full Congress.

Narcotics asset sharing: No

The international sharing of seized assets is not permitted.

Cross-border currency transportation requirements: Yes

Decree 67-2001 obligates individuals to declare the cross-border movement of currency in excess of approximately $10,000 at the ports of entry. The declaration forms are provided and collected by the tax authority at land borders, airports, and ports. The Law Against the Financing of Terrorism penalizes the omission of a declaration with a sentence from one to three years in prison.

As of late 2009, approximately $727,000 has been seized at the airports – a very small sum that suggests that proceeds from illicit activity are transported across Guatemalan borders. There is little official monitoring of compliance with cross-border currency reporting. Further complicating cross-border currency reporting is the Central American Four Agreement, which allows free movement of the citizens of Guatemala, Honduras, Nicaragua, and El Salvador across their respective borders.

Cooperation with foreign government: Yes

Guatemala is leading an effort within the Caribbean Financial Action Task Force (CFATF) to develop a regional list of persons and entities involved in money laundering as well as a method for sharing information among regional FIUs. Guatemala has cooperated, when requested, with U.S. law enforcement agencies.

U.S. or international sanctions or penalties:

In 2009, the Organization for Economic Co-operation and Development (OECD) placed Guatemala on its list of countries that have committed to the internationally agreed tax standard but have not yet substantially implemented the standard. The ability of companies to issue bearer shares as well as strong bank secrecy rules have made it difficult for Guatemala to enter into tax information exchange agreements with OECD member countries.

Enforcement and implementation issues and comments:

At the end of 2009, the FIU referred 18 complaints and 12 reports to the anti-money laundering (AML) Unit in the Public Ministry. In 2009, the AML Unit detained 13 individuals and received sentences against 11.

There is no central tracking system for seized assets, and it is currently impossible for the Supreme Court to provide an accurate listing of the seized assets it is holding in custody. The lack of access to the resources of seized assets, and the failure of the judiciary to share seized assets with law enforcement entities, has made sustaining seizure levels difficult for the resource-strapped enforcement agencies.

Gambling is not legal in Guatemala, however, a number of casinos, games of chance and video lotteries began operating in 1993, both onshore and offshore. There is no regulatory oversight or legal framework for their operation, therefore the Superintendence of Banks and the Superintendence of Tax Administration are not able to supervise or audit gambling operations. Unsupervised gambling represents a severe money laundering vulnerability.

In September 2009, the FIU uncovered a trade based money laundering scheme involving 13 companies, many of which could be fictitious, that exported cardamom to seven countries in the Middle East (Saudi Arabia, Bahrain, United Arab Emirates, Iran, Egypt, Israel, and Iraq). The case involved approximately $120 million of suspicious goods movements from September 11, 2008 to April 28, 2009. The Attorney General's office is investigating the entities and movements.

The GOG has fully cooperated with U.S. efforts to track terrorist financing funds and distributes the UN 1267 sanctions committee's consolidated list to Guatemalan financial institutions. No reports or cases of terrorist financing were reported in 2009.

U.S.-related currency transactions:

Guatemala is a major transit country for illegal narcotics from South America, revenues from illegal drug sales in the U.S. and precursor chemicals from Europe and Asia. Mexican drug traffickers are increasing their presence in the country. The U.S. dollar dominates the regional narcotics trade.

Records exchange mechanism with U.S.: Yes

Guatemala and the United States are party to a bilateral mutual legal assistance treaty that provides for exchange of information. The FIU is able to exchange financial information on money laundering issues with the U.S. Financial Crimes Enforcement Network (FinCEN).

International agreements:

The FIU has signed a number of memoranda of understanding regarding the exchange of information on money laundering issues, some of which also include the exchange of information regarding terrorist financing.

Guatemala is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption -Yes

Guatemala is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force-style regional body. Its most recent mutual evaluation was conducted in June of 2009 and will be available to the public in May 2010 here: http://www.cfatf-gafic.org/mutual-evaluation-reports.html#

***Recommendations*:**

The Government of Guatemala (GOG) should eliminate the use of bearer shares and regulate both on-shore and offshore gaming and casino establishments. The GOG should also continue efforts to improve enforcement of existing regulations, establish units to execute undercover operations and controlled deliveries authorized in the Anti-Organized Crime Law, and pursue much needed reforms in the law enforcement and judicial systems. Guatemala should increase its capacity to successfully investigate and prosecute money laundering cases. Additionally, the GOG should create an asset forfeiture fund and a centralized agency to manage and dispose of seized and forfeited assets, at least a portion of which should be provided to law enforcement agencies to provide the resources necessary to successfully fight money laundering, terrorist financing, and other financial crimes. In addition, the GOG should enhance its pursuit of confiscation and forfeiture of the proceeds of arms smuggling, human trafficking, corruption, and other organized criminal activities, and should enact domestic laws permitting international sharing of confiscated assets.

Guernsey

The Bailiwick of Guernsey (the Bailiwick) encompasses a number of the Channel Islands (Guernsey, Alderney, Sark, and Herm). A Crown Dependency of the United Kingdom, it relies on the United Kingdom (UK) for its defense and international relations. Alderney and Sark have their own separate parliaments and civil law systems. Guernsey's parliament legislates in matters of criminal justice for all of the islands in the Bailiwick. The Bailiwick is a sophisticated financial center and, as such, it continues to be vulnerable to money laundering.

Offshore Center: Yes

The Bailiwick is an offshore financial center. As of September 2009, the financial services industry consisted of 45 banks, all of which have offices, records, and a substantial presence in the Bailiwick. The banks are licensed to conduct business with residents and nonresidents alike. The approximately 18,800 companies registered in the Bailiwick do not fall within the standard definition of an international

business company (IBC). Guernsey and Alderney incorporate companies, but Sark, which has no company legislation, does not. Companies in Guernsey must disclose beneficial ownership to the Guernsey Financial Services Commission. In 2008, there were approximately 714 international insurance companies and 829 collective investment funds.

Free Trade Zone: No

Criminalizes narcotics money laundering: Yes

Money laundering involving drug trafficking is covered by the Drug Trafficking (Bailiwick of Guernsey) Law 2000, as amended (DTL).

Criminalizes other money laundering, including terrorism-related: Yes

Money laundering is criminalized with the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law 1999, as amended (POCL). The POCL covers proceeds of all serious offenses.

Criminalizes terrorist financing: Yes

Terrorist financing is criminalized by the Terrorism and Crime (Bailiwick of Guernsey) Law 2002, as amended (TCL).

Know your customer rules: Yes

The Bailiwick does not permit bank accounts to be opened unless there has been a know your customer (KYC) inquiry and the customer provides verification details. The Criminal Justice (Proceeds of Crime) (Financial Services Businesses) (Bailiwick of Guernsey) Regulations 2007, as amended (2007 Regulations) set forth customer due diligence (CDD) obligations for financial services businesses and the Criminal Justice (Proceeds of Crime) (Legal Professionals, Accountants and Estate Agents) (Bailiwick of Guernsey) Regulations 2008 (2008 Regulations) apply to prescribed businesses: lawyers, accountants and estate agents.

Bank records retention: Yes

Financial services businesses and prescribed businesses are required to maintain CDD information pursuant to the 2007 and 2008 Regulations. CDD information, suspicious transaction reports, and transaction documents should be kept for five years.

Suspicious transaction reporting: Yes

The Disclosure (Bailiwick of Guernsey) Law 2007 makes failure to disclose the knowledge or suspicion of money laundering a criminal offense. The duty to disclose suspicious activity extends to all businesses. The Financial Intelligence Service (FIS) is the Bailiwick's financial intelligence unit. The FIS serves as the central point for the receipt, collection, analysis, and dissemination of all financial crime intelligence.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture: Yes

Guernsey authorities approved further measures to strengthen the existing anti-money laundering/counter-terrorist finance (AML/CFT) regime with the passage of numerous legislation, regulations, and ordinances in 2008 including a comprehensive civil forfeiture law.

Narcotics asset sharing authority: Yes

There are currently no specific legislative provisions relating to the sharing of confiscated assets with other jurisdictions. Asset sharing is negotiated on a case-by-case basis. With regards to sharing with the U.S., the 1988 U.S.-UK Agreement Concerning the Investigation of Drug Trafficking Offenses and the

Seizure and Forfeiture of Proceeds and Instrumentalities of Drug Trafficking, as amended in 1994, was extended to the Bailiwick in 1996.

Cross-border currency transportation requirements: Yes

Those carrying euro 10,000 (approximately $14,100) or greater, or the equivalent amount in any currency, must complete and submit a cash declaration form to Customs upon entering or leaving the Bailiwick.

Cooperation with foreign governments: Yes

Guernsey cooperates with international law enforcement on money laundering cases. The FSC also cooperates with regulatory/supervisory and law enforcement bodies. The Criminal Justice (International Cooperation) (Bailiwick of Guernsey) Law, 2000 furthers cooperation between Guernsey and other jurisdictions by allowing certain investigative information concerning financial transactions to be exchanged. In cases of serious or complex fraud, Guernsey's Attorney General can provide assistance under the Criminal Justice (Fraud Investigation) (Bailiwick of Guernsey) Law 1991.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Not all designated nonfinancial businesses and professions are covered by the AML/CFT regulations.

U.S.-related currency transactions:

No information provided.

Records exchange mechanism with U.S.:

The 1988 U.S. - UK Agreement Concerning the Investigation of Drug Trafficking Offenses and the Seizure and Forfeiture of Proceeds and Instrumentalities of Drug Trafficking, as amended in 1994, was extended to the Bailiwick in 1996. On September 19, 2002, the United States and Guernsey signed a Tax Information Exchange Agreement, which came fully into force in 2006. The agreement provides for the exchange of information on a variety of tax investigations, paving the way for audits that could uncover tax evasion or money laundering activities. The FIS shares information with the U.S. Department of Treasury's Financial Crimes Enforcement Network.

International agreements:

As a British Crown Dependency, the Bailiwick is not empowered to sign or ratify international conventions on its own behalf. However, following a request by the Guernsey Government, the UK may extend ratification of any convention to the Bailiwick. Application of the 1988 UN Drug Convention was extended to the Bailiwick in 2002. The UN Convention for the Suppression of the Financing of Terrorism was also extended to the Bailiwick in 2008 as was the UN Convention against Corruption in 2009.

Guernsey's compliance with the FATF recommendations was evaluated in a report prepared by the International Monetary Fund's Financial Sector Assessment Program. The report can be found here: http://www.ogbs.net/evaluations.htm.

Recommendations:

Guernsey should continue to amend its legislation to meet international AML/CFT standards and should ensure complete implementation of its new 2008 legislation. Guernsey also should take steps to ensure the obliged entities uphold their legal obligations, and the regulatory authorities have the tools they need to provide supervisory functions, especially with regard to non-financial businesses and professions not currently regulated. Guernsey should ensure all obliged entities receive the UN 1267 Sanctions Committee's consolidated list of entities and individuals.

Guinea-Bissau

Guinea-Bissau is not a regional financial center. Increased drug trafficking and the prospect of oil production increase its vulnerability to money laundering and financial crime. Drug traffickers transiting between Latin America and Europe have increased their use of the country. Guinea-Bissau is often the placement point for proceeds from drug payoffs, theft of foreign aid, and corrupt diversion of oil and other state resources headed for investment abroad. A recent boom in the construction of luxury homes, hotels and businesses, and the proliferation of expensive vehicles, stands in sharp contrast to the conditions in the poor local economy. It is likely that at least some of the new wealth derives from money laundered from drug trafficking. Banking officials also think the country is vulnerable to trade-based money laundering. Transparency International's 2009 Corruption Perception index ranks Guinea-Bissau 162 out of 180 countries.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

The legal basis for Guinea-Bissau's anti-money laundering/counter-terrorist financing (AML/CFT) framework is the Anti-Money Laundering Uniform Law No. 2004-09 (AML Uniform Law). As the common law to be passed by the members of the West African Economic and Monetary Union (WAEMU), all member states are required to enact and implement the legislation. The legislation largely meets international standards with respect to money laundering. Guinea-Bissau has an "all crimes" approach to money laundering. It is not necessary to have a conviction for the predicate offense before prosecuting or obtaining a conviction for money laundering. Criminal liability applies to all natural and legal persons.

Criminalizes terrorist financing:

Article 203, Title VI of Guinea-Bissau's penal code criminalizes terrorist financing. However, because the penal code only criminalizes the financing of terrorist groups or organizations, and only when the money is used to commit terrorist acts, the legislation does not address financing of a single or individual terrorist.

Know-your-customer rules: Yes

Obligated institutions include financial institutions and nonbank financial institutions such as exchange houses, microfinance institutions, securities firms, brokerages, cash couriers, casinos, insurance companies, charities, nongovernmental organizations (NGOs), and intermediaries such as lawyers, accountants, notaries and broker/dealers.

Bank records retention: Yes

Financial institutions must keep records and documents relating to transactions and to client identification for a period of ten years.

Suspicious transaction reporting: Yes

The law requires obligated entities to file suspicious transaction reports (STRs) with the financial intelligence unit (FIU). No STRs were filed in 2008, and the operations of the FIU have been suspended, pending identification of new premises.

Large currency transaction reporting: Yes

Narcotics asset seizure and forfeiture:

Legal authorities have the powers to identify, freeze, seize and confiscate goods or funds obtained from the proceeds of major offenses. Articles 16 and 17 of the Drug Law provide for confiscation of the instrumentalities and proceeds from drug trafficking and money laundering. Further, Article 45 of the AML Uniform Law provides for the confiscation of assets resulting from money laundering offenses, and Articles 41 and 42 provide for the confiscation of the instrumentalities of the crime as well as the proceeds.

Narcotics asset sharing authority: Yes

Although the law provides for the sharing of confiscated assets, a lack of coordination mechanisms to facilitate requests for cooperation in freezing and confiscation from other countries hampers cooperation.

Cross-border currency transportation requirements: No

There is no reporting requirement for cross-border currency transportation within the WAEMU internal border area. Currency importation from outside the WAEMU boundaries is not limited, although if the value exceeds 300,000 CFA it must be brought to a licensed intermediary within eight days. Currency exportation should be disclosed when the value exceeds 2 million CFA. However, there is no cash declaration system, and no universal written declaration.

Cooperation with foreign governments (including refusals):

No information available.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

The Commission Bancaire, the entity responsible for bank inspections, does not execute a full AML examination during its standard bank compliance examinations.

The AML Uniform Law does not comply with international standards concerning politically-exposed persons (PEPs), and lacks certain compliance provisions for nonfinancial institutions.

Reportedly, banks are reluctant to file STRs because of the fear of "tipping off" by an allegedly indiscrete judiciary. Article 26 of National Assembly Resolution No. 4 of 2004 stipulates that if a bank suspects money laundering it must obtain a declaration of all properties and assets from the subject and notify the Attorney General, who must then appoint a judge to investigate. The bank's solicitation of an asset list from its client could also amount to "tipping off" the subject.

Reportedly, corruption in the Customs agency exacerbates problems with porous borders and cash smuggling.

Despite the 2004 AML Uniform Law, no operational FIU exists in the country. Lack of capacity, corruption, instability, and distrust (particularly of the judicial sector), could significantly hamper progress in the FIU's development. The Attorney General's office houses a small unit to investigate corruption and economic crimes, but the ability to use special investigative measures is limited to drug trafficking and distribution. In 2008, no money laundering investigations were initiated. There are no known prosecutions of money laundering.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

Guinea-Bissau and the United States are not parties to a bilateral mutual legal assistance treaty that provides for exchange of information.

International agreements:

Multilateral Economic Community of West African States (ECOWAS) treaties deal with extradition and legal assistance.

Guinea-Bissau is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - No
- the UN Convention against Transnational Organized Crime - No
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - No

Guinea-Bissau is a member of the Financial Action Task Force-style regional body, the Intergovernmental Action Group against Money Laundering in West Africa (GIABA). While Guinea-Bissau has undergone a mutual evaluation the report has not yet been published. When it is published, it will be found here: www.giaba.org

Recommendations:

The Government of Guinea-Bissau (GOGB) should continue to work with its partners in GIABA, WAEMU and ECOWAS to establish and implement a comprehensive AML/CFT regime that comports with all international standards. The GOGB should speed up the establishment of an operational FIU that could exchange information and share intelligence with other law enforcement bodies, both inside and outside the country. It should establish and staff the FIU and ensure that resources are available to sustain its capacity. The GOGB should ensure the sectors covered by its AML Uniform Law have implementing regulations and competent authorities to ensure compliance with the law's requirements. The GOGB should clarify, amend or eliminate Article 26 of the 2004 National Assembly Resolution that appears to mandate actions resulting in the tipping off of suspects. It also should adopt and enact a comprehensive WAEMU Uniform Law related to terrorist financing and amend the definitions in its penal code to comport with the international standards regarding financing of individual terrorists and terrorist groups engaging in acts other than terrorism. The GOGB should work to improve the training and capacity of its police and judiciary to combat financial crimes, and address any issues resulting from a lack of understanding of money laundering and terrorist financing. Guinea-Bissau should undertake efforts to eradicate systemic corruption and become a party to the UN Convention for the Suppression of the Financing of Terrorism and the UN Conventions against Corruption and Transnational Organized Crime.

Haiti

Haiti is a major drug-transit country with money laundering activity linked principally to narcotics trafficking and kidnapping. Official corruption also generates illicit proceeds. While the informal economy in Haiti is significant and is partly funded by illicit narcotics proceeds, smuggling is prevalent and predates narcotics trafficking. Haiti's geographical location, lack of an efficiently functioning judiciary system, poorly controlled land and sea borders, inadequately-sized police force (less than one police officer per 1,000 inhabitants), insufficiently resourced anti-money laundering prosecutorial unit, and endemic corruption create favorable conditions for money laundering. Banks and casinos, as well as foreign currency and real estate transactions, facilitate money laundering and other financial crimes. Dire economic conditions and an unstable political situation inhibit the country from advancing the development of its formal financial sector.

Offshore Center: No

Haiti's commercial law does not allow incorporation of offshore companies.

Free Trade Zones: No information provided.

Criminalizes narcotics money laundering: Yes

The 2001 Law on Money Laundering from Illicit Drug Trafficking and other Crimes and Punishable Offenses (AMLL) criminalizes money laundering.

Criminalizes other money laundering, including terrorism-related: Yes

See above.

Criminalizes terrorist financing: No

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

Haiti has yet to pass legislation criminalizing terrorist financing, although counter-terrorist financing legislation has been drafted with USG assistance.

Know-your-customer rules: Yes

The AMLL regulations were amended in 2008 and require financial institutions to verify the identity of customers who open accounts or conduct transactions that exceed 400,000 Haitian Gourdes (HTG), equivalent to approximately $10, 000. The regulations also require exchange brokers and money remitters to compile information on the source of funds exceeding 120,000 HTG (approximately $3,000) or its equivalent in foreign currency.

Bank records retention: Yes

Banks are required to maintain records for five years. Bank secrecy or professional secrecy cannot be invoked as grounds for refusing information requests from authorities.

Suspicious transaction reporting: Yes

The AMLL establishes a wide range of financial institutions as obligated entities, including banks, money remitters, exchange houses, casinos, and real estate agents. Insurance companies, which are only nominally represented in Haiti, are not covered. Haiti's financial intelligence unit (FIU), the *Unité Centrale de Renseignements Financiers* (UCREF), receives the reports submitted by financial institutions. The number of suspicious transactions reports (STRs) is very small. The financial sector's compliance with its anti-money laundering obligations is not properly supervised.

Large currency transaction reporting: Yes

Financial institutions, including banks, credit unions, exchange brokers, lawyers, accountants, and casinos, are required to file a cash transaction report (CTR) with UCREF for all transactions exceeding 400,000 HTG (approximately $10,000). Money transfer companies, given the high risk associated with them, must file CTRs for all transactions of 120,000 HTG (approximately $3,000) or more. Failure to report such transactions is punishable by imprisonment and/or a fine.

Narcotics asset seizure and forfeiture:

The AMLL contains provisions for the seizure and forfeiture of assets; however, the Haitian government cannot seize and declare the assets forfeited until there is a conviction. The Government of Haiti (GOH) has expanded the legal interpretation of conviction to include convictions obtained in foreign jurisdictions. In the fourth quarter of 2008, Haitian authorities, with U.S. Drug Enforcement Administration assistance, began seizing properties in Haiti belonging to drug traffickers incarcerated in the United States for use or disposal by the GOH. In 2008, there were 14 properties including residences, businesses and bank accounts, valued at approximately $16.44 million, seized and forfeited to the GOH based on U.S. convictions. An additional 20 other properties are the subject of this new initiative. In 2009, $23 million and some 16 properties with an estimated value of $8.27 million were seized.

During 2009, President Preval was instrumental in adopting official pre-seizure planning guidelines to attempt to better regulate the management of the increasing number of assets seized for forfeiture. Corruption and provisional use (official use before final forfeiture) continue to be of concern in this area. Despite the numerous seizures made, Haiti has not yet obtained a final order of forfeiture with respect to any assets.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: No

The AMLL does prohibit cash transfers of more than 200,000 HTG (approximately $5,000). Enforcement of this prohibition is a major challenge, except at the Port-au-Prince airport. The customs administration regularly seizes funds subject to this prohibition, but several of these seizures have been overturned by the courts, to the detriment of the legitimacy of the legal framework.

Cooperation with foreign governments:

The AMLL introduces measures for cooperation on mutual legal assistance and extraditions. These provisions seem to be in line with international standards. However, inadequate criminalization of money laundering is a constraint because of the dual criminality principle. International legal assistance cannot be provided for terrorist financing since it is not a crime in Haiti. In practice, Haiti has yet to engage in international legal assistance. International cooperation by the National Police of Haiti is based primarily on Interpol and operational relations with foreign authorities.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

There has been a reassignment of all criminal investigative responsibilities to the Bureau of Financial and Economic Affairs (BAFE), a component of the Haitian National Police Office of Judicial Police. A number of prosecutions are currently in the investigation stage. No convictions have yet been obtained. Prosecutions focus on predicate offenses and deal with money laundering in connection with drug-trafficking only.

The integrity of the police and the courts is often described as inadequate and the Haitian authorities have recently undertaken an ambitious program of reform and renewal. The police and the courts are also suffering from a lack of capacity that has not yet been remedied as they have received only sporadic training in fighting money laundering.

The AMLL may provide sufficient grounds for freezing and seizing terrorists' assets; however, given that there is currently no indication of terrorist financing in Haiti, this has not yet been tested.

U.S.-related currency transactions:

The U.S. dollar is commonly used in both the formal and informal economies. The dollar is the currency of choice for smuggling.

Records exchange mechanism with U.S.:

Haitian authorities provide evidence to support prosecutions in the United States. The UCREF and the BAFE are currently assisting the United States in three major investigations that have lead to the indictments of persons prominent in the Haitian telecommunications industry.

International agreements:

Mutual legal assistance is allowed. The UCREF is not a member of the Egmont Group of financial intelligence units but has memoranda of understanding (MOUs) with the FIUs of the Dominican Republic, Panama, Guatemala and Honduras.

Haiti is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - No
- the UN Convention against Transnational Organized Crime - No
- the 1988 UN Drug Convention - Yes

- the UN Convention against Corruption - Yes

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

Recommendations:

The implementation of the Government of Haiti's (GOH) existing anti-money laundering/counter-terrorist financing regime is insufficient, ineffective and weakly coordinated. It is not sufficient to fight the money laundering and terrorism financing risks facing the country. The key institutions necessary to the satisfactory functioning of the legislative framework are in place, but they have not yet sufficiently used the tools provided by the AMLL. The GOH should move to enact the draft pieces of legislation pertaining to anticorruption and the new Customs Code bill. Haiti should update its criminal code and reform the civil tax code. Other areas in need of improvement include the country's ineffective court system, weak enforcement mechanisms and poor knowledge of current laws governing this area. The GOH should expedite prosecution of corruption, narcotics trafficking and money laundering cases. This would send a positive message that financial crimes will be punished to the fullest extent of the law and also help garner broader public support for the rule of law – something that is beginning to occur with the recent asset seizures. Finally, initiatives are needed to enhance the UCREF's capacity to provide timely and accurate reports on suspicious financial activities and meet Egmont Group membership standards.

Hong Kong

Hong Kong, a Special Administrative Region of the People's Republic of China, is a major international financial center. As of October 2009, with a total market capitalization of $2.18 trillion, Hong Kong's stock market was the seventh largest in the world and third largest in Asia. Hong Kong was also the world's 15th largest banking center and the world's sixth largest foreign exchange trading center. In July 2009, Hong Kong launched a pilot program whereby Hong Kong banks with correspondent relationships in mainland China can engage in Chinese Renminbi (RMB) trade settlement.

Hong Kong's low and simplified tax system, coupled with its sophisticated banking system, shell company formation agents, and the absence of currency and exchange controls facilitate financial activity but also make Hong Kong vulnerable to money laundering. The primary sources of laundered funds in Hong Kong are corruption, tax evasion, fraud, illegal gambling and bookmaking, prostitution, loan sharking, commercial crimes, and intellectual property rights infringement. Criminal proceeds laundered in Hong Kong are derived from local and overseas criminal activities, but Hong Kong law enforcement authorities attribute only a small percentage of these to drug-trafficking organizations.

Offshore Center: Yes

Hong Kong does not make a distinction between onshore and offshore entities, including banks. Its financial regulatory regimes are applicable to residents and nonresidents alike. All companies must be incorporated or registered under the Companies or Trustee Ordinances and file information annually with the Companies Registry, including annual accounts, details on registered offices, directors, company secretary, etc. Companies require licensing to engage in asset management or fund advisory activities in Hong Kong. As of October 2009, 715 corporations held licenses. No differential treatment is provided for nonresidents, including taxation and exchange controls. Bearer shares are not permitted.

Free Trade Zones: No

Hong Kong is a free port without foreign trade zones. Hong Kong's modern and efficient infrastructure supports Hong Kong's role as a regional trade, financial and services center

***Criminalizes narcotics money laundering*:** Yes

Narcotics money laundering is a criminal offense in Hong Kong under the Drug Trafficking Recovery of Proceeds Ordinance (DTROP) and the Organized and Serious Crimes Ordinance (OSCO). Introduced in 1989, the DTROP provides that it is a criminal offense for a person to deal in property "knowing or having reasonable grounds to believe" that the property "in whole or in part directly or indirectly represents any person's proceeds of drug-trafficking." There have been no recent amendments to this law.

***Criminalizes other money laundering, including terrorism-related**:* Yes

DTROP and OSCO criminalize the laundering of proceeds from all indictable offenses. Laundering, to include self-laundered money, of any property that represents in whole or in part, directly or indirectly, the proceeds of crime are an offense.

Criminalizes terrorist financing: Yes

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

Terrorism and terrorist financing were criminalized in 2002 with the enactment of The United Nations Anti-Terrorism Measures Ordinance (UNATMO), Cap. 575. An amendment to the legislation in 2004 provides for the freezing of terrorist related assets. However, the offense is viewed as being narrow in scope and certain key provisions of this ordinance are not yet in force. Not covered in the current legislation is terrorism directed at an international organization or where the financing is in the form of assets other than 'funds'.

***Know-your-customer rules**:* Yes

Banking, securities and insurance entities must identify and verify the identity of customers, including any beneficial owners, before establishing a business relationship. Only basic customer-due-diligence obligations are in place for money remitters and money exchange companies, and there are no due-diligence obligations for money lenders, credit unions and financial leasing companies. Guidelines impose obligations on banking and insurance institutions to exercise enhanced due diligence with respect to politically exposed persons. However, these guidelines do not specify that senior management approval is required to continue a business relationship with a customer discovered to be a politically exposed person. A supplement to the Banking Guidelines issued in November 2007 added the requirement of obtaining the purpose and reason for opening an account.

***Bank records retention**:* Yes

Financial institutions are required to know and record the identities of their customers and maintain records for five to seven years. Remittance agents and moneychangers must register their businesses with the police and keep customer identification and transaction records for cash transactions above a HK 8,000 (approximately $1,032) threshold for at least six years.

***Suspicious transaction reporting**:* Yes

Hong Kong's reporting obligations require the reporting of suspected money laundering or terrorist financing irrespective of the amount involved. The legal obligations for all persons, including financial institutions, to file suspicious transaction reports (STRs) are articulated in the DTROP for narcotics proceeds, OSCO for the proceeds of indictable offenses and organized crime, and UNATMO for terrorism finance. As of October 2009, Hong Kong's financial intelligence unit (FIU) received 13,553 STRs and referred 1,926 to law enforcement agencies for further investigation.

***Large currency transaction reporting*:** No

***Narcotics asset seizure and forfeiture**:* Yes

Under the DTROP and OSCO, a court may issue a restraining order against a defendant's property at or near the time criminal proceedings are instituted. Property includes money, goods, real property, and instruments of crime. A court may issue confiscation orders at the value of a defendant's proceeds from illicit activities. Cash imported into or exported from Hong Kong that is connected to narcotics-trafficking may be seized, and a court may order its forfeiture. However, restraint and confiscation provisions are limited in their availability as they can be used only for those indictable offenses listed in OSCO and restraint may only occur where the amount involved is over HK 100,000 (approximately $12,900). Some types of instrumentalities are subject to forfeiture. According to Hong Kong government statistics as of September 30, 2009, the value of frozen assets was $324.2 million while the value of assets under a court confiscation order but not yet paid to the government was $14.62 million.

Under DTROP section 28, the Chief Executive may promulgate orders designating countries whose confiscation orders can be considered as though they were made pursuant to DTROP (with some modifications). The net effect of such designations is to confer legal recognition upon confiscation orders of certain other countries. Pursuant to this power, the Chief Executive has promulgated the Drug Trafficking (Recovery of FATF/ME (2008)4 186 Proceeds) (Designated Countries and Territories) Order.

Narcotics asset sharing authority: Yes

Hong Kong's Mutual Legal Assistance Ordinance (MLAO), DTROP, and various administrative measures provide a platform for the sharing of seized assets with other governments. Bilateral agreements generally incorporate provisions on asset sharing that provide for assets to remain with the requested jurisdiction, subject to sharing on a case by case basis. In practice, realized funds over a threshold of HK$10million (approximately $1,290,000) are shared equally.

Cross-border currency transportation requirements: No

Hong Kong does not require reporting of the movement of any amount of currency across its borders.

Cooperation with foreign government: Yes

UNATMO, DTROP and OSCO enable information sharing with relevant authorities outside Hong Kong to prevent and suppress the financing of terrorist acts, drug-trafficking and other crimes.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

The formal banking sector is believed to be the primary means of money laundering in Hong Kong. For 2008, Hong Kong police reported 4,653 cases of deception; 20 business fraud cases; and 1,190 forgery and coinage cases. Crime statistics for 2009 were not available. From January to September 2009, Hong Kong prosecuted 340 persons for Money Laundering. One significant case involved the arrest and prosecution of 16 persons for money laundering by the Hong Kong Customs and Excise Department.

No provisions are in place for forfeiture of proceeds and instrumentalities of terrorist acts or terror finance. There were no prosecutions for terrorist financing as of September 2009.

***U.S.-related currency transactions*:**

No information provided.

Records exchange mechanism with U.S.:

Hong Kong's mutual legal assistance agreements generally provide for asset tracing, seizure, and sharing. Hong Kong signed and ratified a mutual legal assistance agreement (MLAA) with the United States that came into force in January 2000. Law enforcement cooperation remains a central pillar of U.S. - Hong Kong relations.

Legislative amendments to DTROP and OSCO in 2004 now allow the financial intelligence unit to disseminate information derived from STRs to overseas counterparts and non-counterparts for the purposes of combating crime, without the need for any reciprocity.

***International agreements*:**

As of November 2009, Hong Kong has signed bilateral MLAAs with 27 jurisdictions. Hong Kong has also signed surrender-of-fugitive-offenders (extradition) agreements with 18 countries, including the United States, and has signed agreements for the transfer of sentenced persons with ten countries, also including the United States. Hong Kong authorities exchange information on an informal basis with overseas counterparts and with Interpol.

Hong Kong is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

The above conventions apply to Hong Kong through mainland China's participation in the conventions.

Hong Kong is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. It's most recent 2008 mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/19/38/41032809.pdf

Recommendations:

Hong Kong should institute mandatory oversight for the designated non-financial businesses and professions and money remitters. Hong Kong should establish mandatory cross-border currency reporting requirements. The anti-money laundering/counter-terrorist financing framework should be further enhanced with the establishment of threshold reporting requirements for currency transactions and by putting into place "structuring" provisions to counter evasion efforts. As a major trading center, Hong Kong should seriously examine trade-based money laundering.

India

India's emerging role in regional financial transactions, its large system of informal cross-border money flows, large underground economy, widespread use of hawala, and historically disadvantageous tax administration and currency controls all contribute to the country's vulnerability to money laundering activities. While much money laundering in India aims to facilitate widespread tax avoidance, criminal activity contributes substantially. Common sources of illegal proceeds in India include: narcotics trafficking, illegal trade in endangered wildlife, trade in illegal gems (particularly diamonds), smuggling, trafficking in persons, and income tax evasion. Corruption, both in the private and public sectors, is also a potential source of money laundering. Money laundering methods are diverse. In domestic crimes, the most common money laundering methods are opening multiple bank accounts, intermingling criminal proceeds with assets of a legal origin, purchasing bank checks with cash, and routing through complex legal structures. In transnational organised crimes, offshore corporations and trade based money laundering may be used to disguise the criminal origin of the funds. Money laundering also takes place in India through charities and non-profit organizations. Because of its location between the heroin-producing countries of the Golden Triangle and Golden Crescent, India continues to be a drug-transit country. The 2008 terrorist attacks in Mumbai intensified concerns about terrorist financing in India. Major sources for terrorist financing include: funds/resources from organizations outside India including; extortion; counterfeiting of currency; and use of formal channels and new payment methods.

Offshore Center: No

India does not have a traditional offshore financial center but does license offshore banking units (OBUs) to operate in the Special Economic Zones (SEZs). Nine OBUs have been set up in specific zones, although they can provide services across the entire network. These units are prohibited from engaging in cash transactions and are restricted to lending to the SEZ wholesale commercial sector. Although located in India, they essentially function as foreign branches of Indian banks. India licenses and regulates OBUs the same way as domestic commercial banks, and they are subject to the same anti-money laundering/counter-terrorist financing (AML/CFT) provisions as the domestic sector.

Free Trade Zone: Yes

Special Economic Zones (SEZs) are being established to promote export-oriented commercial businesses, including manufacturing, trading and services (mostly information technology). As of December, 2009, approximately 350 SEZs had been proposed throughout India. The SEZs have defined physical boundaries, with access controlled by Customs officers. In November 2009, the Government of India (GOI) gave permission to various investigative agencies to conduct searches, inspect, seize and investigate the consignments inside the SEZs without permission from the SEZ development commissioner.

Criminalizes narcotics money laundering: Yes

The Prevention of Money Laundering Amendment Act (PMLA), 2009 [No. 21 of 2009] criminalizes narcotics-related money laundering.

Criminalizes other money laundering, including terrorism-related: Yes

PMLA amendments introduced a new category of predicate offenses, cross-border crimes such as fraud and theft, with no threshold amount for prosecution. Offenses under the Unlawful Activities (Prevention) Act (UAPA) relating to terrorism and terrorist financing are included as predicate offenses, as are insider trading and market manipulation. Offenses relating to human trafficking, smuggling of migrants, counterfeiting, piracy, environmental crimes, and over- and under-invoicing under the Customs Act have become punishable under the amended PMLA.

Criminalizes terrorist financing: Yes

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

The UAPA was amended in 2004 to criminalize terrorist acts, including raising funds for terrorism. However, the Act did not provide a comprehensive framework for dealing with the tripartite offenses of terrorism, namely, financing of terrorism, terrorists acts and terrorist organizations. In December 2008, India's parliament enacted an amendment to the UAPA containing provisions to address the legal authority and enforcement mechanism for freezing the funds of terrorist entities, including an explicit authority to freeze the funds of terrorist entities designated under UNSCRs 1267 and 1373. In August 2009, the government issued orders to implement the UAPA for terrorist-related predicate offenses. India has seized, attached and forfeited property of Dawood Ibrahim Kaskar, a designated individual, valued at more than INR 1.5 billion.

Know-your-customer rules: Yes

In October 2009, the Reserve Bank of India (RBI) strengthened its "Know Your Customer (KYC) Norms/Anti Money Laundering Standards/Combating of Financing of Terrorism" guidelines by issuing notifications to all banks and financial institutions on appropriate procedures regarding customer identification and verification. Entities covered by KYC regulations include banks, securities firms and broker dealers, insurance companies, authorized money changers (money remitters, bureaus de change, money changers) and payment systems operators. In November 2009, the RBI tightened the KYC norms for authorized money transfer service agents, requiring enhanced due diligence for new customers based on a customer's risk profile and increased monitoring of receipts considered especially risky based on

indicators such as country of origin, sources of funds, and type of transaction. The RBI also has directed banks to take additional precautions on customers' business transactions with entities or banks from Iran, Pakistan, Uzbekistan, Turkmenistan, and Sao Tome.

Bank records retention: Yes

The PMLA obligates every banking company, financial institution, and intermediary of the securities market (such as stock brokers) to maintain records of all transactions and customer verification for ten years.

Suspicious transaction reporting: Yes

In June 2009, amendments to the PMLA came into force, adding additional entities to those subject to reporting requirements, including: casinos, authorized money changers; money transfer service agents (Western Union); and, international payment gateways (e.g., Visa and Master Card). Following a listing in the Official Gazette in November 2009, charitable trusts including temples, churches, mosques, non-governmental bodies, and educational institutions, even if registered as non-profit organizations, are under the purview of the amended PMLA. These entities need to disclose their source of funds and must report both suspicious transactions and large monetary transactions. Obligated entities are required to submit suspicious transaction reports (STRs) to India's financial intelligence unit (FIU). According to the FIU's 2009 fiscal year Annual Report, the FIU received 4,409 STRs, of which 2,450 were shared with relevant law enforcement agencies. According to FIU officials, income tax evasion has been readily detected in the STRs and has also led to the arrest of suspected terror operatives.

Large cash transaction reports: Yes

The PMLA requires every bank, financial institution and intermediary to furnish to the FIU information relating to cash transactions of more than 1 million rupees (approximately $21,700), or its equivalent in foreign currency. Indian outlets of wire transfer services and casinos have also been ordered to report their transactions every month. Individual cash transactions below 50,000 rupees (approximately $1,080) need not be reported.

Narcotics asset seizure and forfeiture: Yes

The 1973 Code of Criminal Procedure, Chapter XXXIV (Sections 451-459), establishes India's basic framework for confiscating illegal proceeds. The Narcotic Drugs and Psychotropic Substances Act (NDPSA) as amended in 2000, requires the tracking and forfeiture of assets that have been acquired through narcotics trafficking and prohibits attempts to transfer and conceal those assets. The Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act of 1976 (SAFEMA) allows for the seizure and forfeiture of assets linked to Customs Act violations. The Competent Authority (CA), within the Ministry of Finance, administers both the NDPSA and the SAFEMA. The 2001 amendments to the NDPSA allow the CA to seize any asset owned or used by an accused narcotics trafficker immediately upon arrest; previously, assets could only be seized after a conviction.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: Yes

A declaration must be made upon entering India with an aggregate value of Indian currency notes, bank notes, or traveler's checks exceeding $10,000 or its equivalent, and/or an aggregate value of foreign currency notes of $5,000 or its equivalent.

Cooperation with foreign governments: Yes

The GOI routinely cooperates with other jurisdictions in anti-money laundering and financial crimes investigations. India's Customs Service shares enforcement information with countries in the Asia/Pacific region.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

India's widespread informal remittance systems, such as hawala, and its large underground economy are non-transparent and resistant to money laundering countermeasures. According to Indian observers, funds transferred through the hawala market are equal to between 30 to 40 percent of the formal market, totaling between $13 and $17 billion. The RBI estimates that remittances to India sent through legal, formal channels during fiscal year 2009 (ending March 31, 2009) amounted to $46.4 billion.

Smuggled goods such as computer parts, gold, and a wide range of imported consumer goods are routinely sold through the black market. However, the volume in business-related smuggled goods has fallen significantly. Nonetheless, private analysts estimate India's black market to range from $2.1 - $2.5 trillion.

India is one of the most active members of the Asian Clearing Union (ACU), a regional clearing house based in Tehran for participants to settle trade transactions in Euros and dollars. The ACU could be used for financing trade with countries such as Iran and Burma, while avoiding U.S. sanctions.

The GOI requires charities to register with the Registrar of Societies but enforcement of GOI regulations governing charities remains weak. The Foreign Contribution Regulation Act (FCRA) of 1976 regulates the use of foreign funds received by charitable/nonprofit organizations. Their coverage under the PMLA is a good step toward more effective oversight but is too recent to evaluate. Some religious trusts and charities operate as sources of funds for terrorist organizations under anonymous/fictitious names. There are over a million charitable and private organizations registered in India. There is insufficient integration and coordination between charities' regulators and law enforcement authorities regarding the threat of terrorist financing.

To date, India has had very few money laundering prosecutions, particularly for a country and financial sector of its size.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

The FIU is able to exchange financial intelligence with the Financial Crimes Enforcement Network (FinCEN).

International agreements:

India is a party to various information exchange agreements. Authorities can share information or provide assistance to foreign jurisdictions in matters relating to money laundering or other financial crimes without need for a treaty. The FIU has signed bilateral MOUs to further facilitate and expedite financial intelligence information sharing.

India is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - No
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - No

India is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. India's mutual evaluation report can be found here: http://www.apgml.org/documents/docs/8/India%20ME1%20-%20Final.pdf

Recommendations:

The Government of India (GOI) amended the PMLA in order to strengthen its AML/CFT regime. However, the GOI should extend the PMLA to dealers in precious stones and metals; real estate agents; lawyers, notaries and other independent legal professionals; and accountants. Further tax reform, loosening of currency controls, and facilitating the development of money transfer services should enhance the availability of legal alternatives to hawala and reduce ML/TF vulnerabilities. Given the fact that in India hawala is directly linked to terrorist financing, the GOI should take action to provide increased transparency in alternative remittance systems. India should take measures to demonstrate that it is also applying the full range of its AML/CFT measures to transactions conducted under the Asian Clearing Union with Iran and other participating countries. India should become a party to the UN Conventions against Transnational Organized Crime and Corruption. Also, India should pass the Foreign Contribution Regulation Bill for regulating nongovernmental organizations, including charities. India should devote more law enforcement and customs resources to curb abuses in the diamond trade. It should also consider the establishment of a Trade Transparency Unit (TTU) to promote trade transparency; in India, trade is the "back door" to underground financial systems.

Indonesia

Although neither a regional financial center nor an offshore financial haven, Indonesia is vulnerable to money laundering and terrorist financing due to gaps in financial system regulation, a cash-based economy, a lack of effective law enforcement, and the increasingly sophisticated tactics of major indigenous terrorist groups, such as Jemaah Islamiya, and their financiers from abroad. Most money laundering in the country is connected to non-drug criminal activity such as gambling, prostitution, bank fraud, theft, credit card fraud, maritime piracy, sale of counterfeit goods, illegal logging, and corruption. Indonesia also has a long history of smuggling, a practice facilitated by thousands of miles of unpatrolled coastline, weak law enforcement, and poor customs infrastructure. The proceeds of illicit activities are easily moved offshore and repatriated as needed for commercial and personal needs. Although Indonesia's corruption indicators are improving, corruption remains a very significant issue for all aspects of Indonesian society and a challenge for anti-money laundering/counter terrorist financing (AML/CFT) implementation.

Offshore Center: No

Free Trade Zones: Yes

The Government of Indonesia (GOI) has established special economic zones to attract both foreign and domestic investment. In 2007, the House of Representatives approved establishment of free trade zones (FTZs) in the Batam, Bintan and Karimun (BBK) islands. Batam Island, located just south of Singapore, has long been a bonded zone in which investment incentives have been offered to foreign and domestic companies. In 2009, the BBK FTZ officially became effective. As of the end of 2008, more than 1,015 domestic and foreign companies and joint ventures had invested more than $10 billion in the zone. Supervision of the FTZs includes confirming the identities of investors. In March 2009, the GOI issued regulations providing additional authority for Customs & Excise officials to regulate the flow of goods through the new BBK FTZ, given its vulnerability to smuggling.

Criminalizes narcotics money laundering: Yes

Indonesia's Law 15/2002 concerning the Crime of Money Laundering as amended by Law 25/2003 ("The AML Law") came into force in April 2003. Article 1 provides a definition of money laundering; Article

2 defines assets and predicate offenses, to include narcotics-trafficking; and Articles 3-7 establish the money laundering offense.

Criminalizes other money laundering, including terrorism-related: Yes

Law 15/2002 identifies 15 predicate offenses related to money laundering, including narcotics-trafficking and most major crimes. The law criminalizes the laundering of "proceeds" of crimes. Because it is often unclear to what extent terrorism generates proceeds, terrorist financing is not fully included as a predicate for the money laundering offense.

Criminalizes terrorist financing: Yes

Terrorist financing is criminalized in Articles 11-13 of Law 15/2003 Concerning Government Regulation in Lieu of Law 1/2002 Concerning Combating Criminal Acts of Terrorism. However, there are serious criticisms of the enabling legislation.

Know-your-customer rules: Yes

The GOI's financial regulatory authorities have issued regulations, decrees, and rules that set out obligations for their respective sectors to implement know your customer (KYC) principles. Anonymous and fictitious accounts are prohibited. Effective January 1, 2009, money remitters are subject to KYC and suspicious transaction reporting (STR) guidelines.

Bank records retention: Yes

Article 17 of the AML Law states that covered institutions must maintain records and documents concerning the identity of users of financial services for five years from the end of the business relationship.

Suspicious transaction reporting: Yes

Article 13 of the AML Law requires providers of financial services to report suspicious financial transactions to the Indonesian financial intelligence unit (FIU) - the Financial Transactions Reports and Analysis Centre (PPATK). The obligation to report a suspicious financial transaction is based on a "reasonable grounds to suspect" that funds are the proceeds of crime. Financial institutions are required to report suspicious transactions regardless of the amount of the transaction. From January through November 30, 2009, the PPATK received 21,600 STRs from banks and non-bank financial institutions.

Large currency transaction reporting: Yes

The threshold for cash transaction reports (CTRs) is Rp 100,000,000 (approximately $10,900). The PPATK reported that in 2009 it received more than 791,000 CTRs from banks, moneychangers, rural banks, insurance companies, and securities companies.

Narcotics asset seizure and forfeiture:

The GOI has limited formal instruments to trace and forfeit illicit assets. Under the Indonesian legal system, confiscation against all types of assets must be effected through criminal justice proceedings and be based on a court order. The AML Law provides that investigators, public prosecutors, and judges are authorized to freeze any assets that are reasonably suspected to be the proceeds of crime.

Narcotics asset sharing authority: No

Cross-border currency transportation requirements:

Article 16 of the AML Law contains a reporting requirement for any person taking cash into or out of Indonesia in the amount of Rp 100 million (approximately $10,900) or more, or the equivalent in foreign currency. The requirement does not cover bearer negotiable instruments.

Cooperation with foreign governments: Yes

There are no known issues that hamper the GOI's ability to assist foreign governments in mutual assistance requests. Authorities can share information or provide assistance to foreign jurisdictions in matters related to money laundering or other financial crimes without the need for a treaty.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Given the size of the country and the money laundering and terrorist financing threat level, the Indonesian National Police (POLRI) lacks capacity to proactively initiate investigations. Although the POLRI has successfully arrested more than 400 terrorists in recent years, the agency had not generally investigated terrorist financing related to those cases.

Through November 2009, there have been six money laundering convictions for the year. These six cases involved predicate offenses of embezzlement, bribery, corruption, and narcotics.

The GOI has no clear legal mechanism to trace and freeze assets of individuals or entities on the UNSCR 1267 Sanctions Committee's consolidated list, and there is no clear administrative or judicial process to implement this resolution and UNSCR 1373.

Although the Limited Liability Company Law (Law 40/2007) prohibits bearer shares, complete implementing regulations have not yet been issued, and the process for removing bearer shares from the system is not clear. Previously issued bearer shares appear to remain valid.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.: No

Indonesia and the United States are not parties to a bilateral mutual legal assistance treaty that provides for exchange of information. Indonesian and U.S. law enforcement entities have a close working relationship.

International agreements:

Indonesia has signed Mutual Legal Assistance Treaties with Australia, China, and South Korea. Indonesia joined other Association of Southeast Asian Nations (ASEAN) members in signing the ASEAN Treaty on Mutual Legal Assistance in Criminal Matters on November 29, 2004. It enacted Law 15/2008 to ratify the treaty, effective April 30, 2008. The PPATK has concluded 31 MOUs with other FIUs and has entered into an Exchange of Letters enabling international exchange with Hong Kong. Authorities can share information or provide assistance to foreign jurisdictions in matters related to money laundering or other financial crimes without the need for a treaty.

Indonesia is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

Indonesia is a member of the Asia/Pacific Group on Money Laundering (APG). Its most recent mutual evaluation can be found at:
http://www.apgml.org/documents/docs/17/Indonesia%20MER2_FINAL.pdf

Recommendations:

The Government of Indonesia (GOI) has made progress in constructing an AML regime. It has also recently taken steps to strengthen its legal and regulatory framework for combating terrorist financing.

Increased prosecution of high-profile corruption cases in 2008 and 2009 was an important advance in the GOI's efforts to eradicate pervasive corruption. Further investment in human and technical capacity is needed to develop a truly effective AML/CFT regime. Authorities should ensure the PPATK has access, directly or indirectly, to required financial, administrative, and law enforcement information on a timely basis. Indonesian police and customs authorities should be encouraged to initiate money laundering investigations at the "street level" and not be dependent on financial intelligence filed with the PPATK. Law enforcement agencies should systematically investigate money laundering in parallel with their investigations of predicate offenses. The GOI should issue the regulations necessary to eliminate bearer shares. The GOI also should establish comprehensive controls or oversight over the provision of wire transfers. Indonesia's cross-border currency declarations should also cover bearer negotiable instruments. Indonesia should establish clear legal mechanisms and administrative or judicial processes to trace and freeze assets of entities included on the UNSCR 1267 Consolidated List and to implement its obligations under UNSCR 1373. The GOI must continue to improve capacity and interagency cooperation in analyzing suspicious and cash transactions, investigating and prosecuting cases, and achieving deterrent levels of convictions. As part of this effort, the GOI should review and streamline its process for reviewing UN designations and identifying, freezing, and seizing terrorist assets.

Iran

Iran is not a regional financial center and its economy, marked by a bloated and inefficient state sector, is heavily dependent on its petroleum industry. A combination of price controls and subsidies continues to weigh down the economy and, along with widespread corruption, has undermined the potential for private sector-led growth. As a state sponsor of terrorism, the threat of terrorism finance emanating from Iran is so significant that the Financial Action Task Force (FATF) has issued seven statements to alert its members to concerns about this risk and has advised jurisdictions around the world to impose financial countermeasures on Iran to protect against this threat. Iran has a large underground economy, spurred by restrictive taxation, widespread smuggling, currency exchange controls, capital flight, and a large Iranian expatriate community.

Iran has established an international banking network with branches of a number of state-owned banks in Europe, the Middle East, and Asia. In 1994, Iran authorized the creation of private credit institutions. Licenses for these banks were first granted in 2001, and three new banks were added in August 2009. In a number of cases, Iran has used its state owned banks to channel funds to terrorist organizations. The U.S. designated Bank Saderat in October 2007 for its role in channeling funds to terrorist organizations, including Hizballah, Hamas, PFLP-GC, and the Palestinian Islamic Jihad. According to the statement issued with this action, between 2001 and 2006, Bank Saderat transferred $50 million from the Central Bank of Iran through Bank Saderat's subsidiary in London to its branch in Beirut for the benefit of Hizballah fronts that support acts of violence. Hizballah also used Bank Saderat to send funds to other terrorist organizations, including Hamas, which itself had substantial assets deposited in Bank Saderat as of early 2005.

Offshore Center:

No information available.

Free Trade Zones: Yes

Iran has six free trade zones (FTZs), including a large FTZ located on Kish Island.

Criminalizes narcotics money laundering: Yes

A new Iranian anti-money laundering (AML) law was approved by the Islamic Parliament on January 22, 2008 and by the Guardian Council on February 6, 2008. The law creates a High Council on Anti-Money Laundering chaired by the Minister of Economic Affairs and Finance. The High Council coordinates and collects information and evidence concerning money laundering offenses. Nonetheless, the new anti-

money laundering law falls significantly short of meeting international standards and the status of its implementation is not known.

Criminalizes other money laundering, including terrorism-related: See above

Criminalizes terrorist financing: No

The U.S. Department of State has designated Iran as a state sponsor of terrorism.

Know-your-customer rules: Yes

According to the AML law, all legal entities including the Central Bank, banks, financial and credit institutions, insurance companies, the Central Insurance, interest-free funds, charity organizations and institutions, municipalities, notary public offices, lawyers, accountants, auditors, authorized specialists of the Justice Ministry, and official inspectors are obligated to produce the information necessary for the implementation of this law, which, per Article 7a includes, "Verification of the identity of the client, and where relevant verification of the identity and relationship of the client's representative or proxy, as well as verification of the identity of the principal, in case there are evidences of offense."

Bank records retention: Yes

According to the AML law, Article 7d, obligated entities are required to maintain records on client identification, account history, operations and transactions "as long as determined in the executive by-law."

Suspicious transaction reporting: Yes

According to Article 7c of the AML law, obligated entities must report suspicious transactions and operations to a competent authority as designated by the Anti-Money Laundering High Council. No information is available on the implementation of Article 7c.

Large currency transaction reporting:

No information available.

Narcotics asset seizure and forfeiture:

According to Article 9 of the AML law, "Those who engage in the crime of money laundering will, in addition to returning the assets and the proceeds derived from the crime comprising the original assets and the profits there of (and if nonexistent, the equivalent or the price), be sentenced to a fine of one fourth of the value of the proceeds of the crime which should be deposited into the public Revenues Account with the Central Bank of the Islamic Republic of Iran." If the proceeds have been converted into other property, that property will be seized. The order to seize the assets and their derived profits can be issued and exercised if the accused "has not been subject to this order under predicate offenses." No information was available on the implementation of Article 9.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements:

No information available.

Cooperation with foreign governments: No

Iran does not cooperate with the international community regarding anti-money laundering/counter-terrorist financing (AML/CFT) matters.

U.S. or international sanctions or penalties: Yes

In 1984, the Department of State designated Iran as a state sponsor of international terrorism. Iran continues to provide material support, including resources and guidance, to multiple terrorist organizations and other groups that undermine the stability of the Middle East and Central Asia. Hamas, Hizballah, and the Palestinian Islamic Jihad (PIJ) maintain representative offices in Tehran in part to help coordinate Iranian financing and training. Since 1987, U.S. agencies also have implemented numerous sanctions, virtually blocking all trade and investment activities with Iran. In November 2008, Treasury revoked the license authorizing "U-turn" transfers involving Iran, thus terminating Iran's ability to access the U.S. financial system indirectly via non-Iranian foreign banks.

Since 2006, the U.S. has taken a number of targeted financial actions against key Iranian financial institutions, entities, and individuals under proliferation, terrorism, and Iraq-related authorities, i.e., Executive Order 13382, Executive Order 13224, and Executive Order 13438, respectively. To date, the Departments of Treasury and State have designated 117 Iranian entities and individuals under Executive Order 13382.

The following are some examples of notable designations under the Executive Orders: Four state-owned Iranian banks (Bank Sepah, Bank Melli, Bank Mellat, and the Export Development Bank of Iran, as well as all of their foreign operations) were designated for facilitating Iran's proliferation activities. One state-owned Iranian bank (Bank Saderat and its foreign operations) was designated for funneling money to terrorist organizations. The Qods Force, a branch of the IRGC, was designated for providing material support to the Taliban, Lebanese Hizballah, and Palestinian Islamic Jihad. The Iran-based Martyrs Foundation (also known as Bonyad Shahid) was designated for its support to terrorism. The Martyrs Foundation is an Iranian parastatal organization that channels financial support from Iran to several terrorist organizations in the Levant, including Hizballah, Hamas, and the Palestinian Islamic Jihad (PIJ). The designation includes the Lebanon-based Martyrs Foundation, which is staffed by Hizballah officials and provides financial support to the organization, and the U.S-based fundraising office established by the Martyrs Foundation to support the organization in Lebanon.

Iran's defiance of the international community over its nuclear program and the role of Iranian banks in facilitating proliferation activity have also led to a number of international multilateral actions on Iran's financial sector. Since July 2006, the United Nations Security Council (UNSC) has passed five related resolutions (UNSCRs), three of which call for financial restrictions on Iran.

On October 11, 2007, the FATF released a statement of concern that "Iran's lack of a comprehensive anti-money laundering/counter-terrorist finance regime represents a significant vulnerability within the international financial system." The FATF has subsequently issued six additional statements, the most recent of which was released on October 16, 2009. The statement expressed concerns about Iran's failure to "address the risk of terrorist financing and the serious threat this poses to the integrity of the international financial system" and urged all jurisdictions to "apply effective counter-measures to protect their financial sectors from money laundering and financing of terrorism (ML/FT) risks emanating from Iran."

Since February 2007, the European Union (EU) has adopted numerous Common Positions to implement the UNSCRs on Iran. While these regulations strictly implement the provisions of the UNSCRs, they also go beyond the requirements of the UNSCRs to require additional action from member states. For example, the EU has designated numerous additional entities and individuals that had not been included in the annexes of UNSCRs 1737, 1747, or 1803, including Bank Melli and IRGC subsidiary Khatam al-Anbiya. The EU regulations also include, among other provisions, a prohibition on the provision of financial assistance and training to Iran, restrictions on export credits, and enhanced vigilance on all Iranian banks, and, specifically, on Iran's Bank Saderat.

Numerous countries around the world have also restricted their financial and business dealings with Iran in response to both the UNSC measures on Iran as well as the FATF statements on Iran's lack of adequate AML/CFT controls. Many of the world's leading financial institutions have essentially stopped dealing

with Iranian banks, in any currency, and Iranian companies and businesses are facing increased difficulty in obtaining letters of credit. For example, in October 2009 the United Kingdom announced domestic sanctions against IRISL and Bank Mellat under its 2008 Counterterrorism Act. In September 2008, Australia took domestic action against Iran by designating Banks Melli and Saderat, as well as implementing a series of other financial measures designed to pressure a change in Iran's course.

Enforcement and implementation issues and comments:

Iran is ranked 168 out of 180 countries listed in Transparency International's 2009 Corruption Perception Index. There is pervasive corruption within the ruling elite, government ministries, and government controlled business enterprises.

In Iran and elsewhere in the region, proceeds from narcotics sales are sometimes exchanged for trade goods via value transfer. The United Nations Global Program against Money Laundering also reports that illicit proceeds from narcotics trafficking are used to purchase goods in the domestic Iranian market; those goods are often exported and sold in Dubai. Iran's merchant community makes active use of hawala and moneylenders. Counter-valuation in hawala transactions is often accomplished via trade, thus trade-based money laundering is likely a prevalent form of money laundering. Many hawaladars and traditional bazaari are linked directly to the regional hawala hub in Dubai. Over 400,000 Iranians reside in Dubai, with approximately 10,000 Iranian-owned companies based there. It is believed Iranian front companies based in Dubai are used to thwart U.S. and international sanctions.

Iran's real estate market is often used to launder money. Frequently, real estate settlements and payments are made overseas. In addition, there are reports that billions of dollars in Iranian capital has been invested in the United Arab Emirates, particularly in Dubai real estate.

U.S.-related currency transactions:

Prior to the revocation of the U-turn exemption, Iran transacted more than a trillion dollars of U.S. dollar payments through the United States over a roughly five-year period. In addition to payments which were, at the time, presumed legal under the U-turn exemption, Iran transacted more than a billion dollars through the United States financial system over a five-year period in violation of U.S. law.

Records exchange mechanism with U.S.: No

International agreements:

Iran is a party to:

- the 1988 UN Drug Convention - Yes
- the UN Convention for the Suppression of the Financing of Terrorism – No
- the UN Convention against Transnational Organized Crime - No
- the UN Convention against Corruption – No

Iran is not a member of a FATF-style regional body.

Recommendations:

The Government of Iran (GOI) should vigorously pursue the implementation of a viable anti-money laundering/terrorist financing regime, including effective legislation and proper regulations that adhere to international standards and seek to address the risk of terrorist financing emanating from Iran. Above all, the GOI should cease its financial and material support of terrorist organizations and terrorism, as well as its abuse of the international financial system to facilitate proliferation. Iran should be more active in countering regional smuggling. Iran should create an anti-corruption law with strict penalties and enforcement, applying it equally to figures with close ties to the government, ruling class, business leaders, and the clerical communities. Iran should become a party to the UN Convention against Transnational Organized Crime, the UN Convention against Corruption, and the UN Convention for the Suppression of the Financing of Terrorism.

Isle of Man

Isle of Man (IOM) is a British crown dependency, and while it has its own parliament, government, and laws, the United Kingdom (UK) remains constitutionally responsible for its defense and international representation. Offshore banking, manufacturing, and tourism are key sectors of the economy. The government offers incentives to high-technology companies and financial institutions to locate on the island. Its large and sophisticated financial center is potentially vulnerable to money laundering. Most of the illicit funds in the IOM are from fraud schemes and narcotics-trafficking in other jurisdictions, including the UK. Identity theft and Internet abuse are growing segments of financial crime activity.

Offshore Center: Yes

Isle of Man is an offshore financial center. As of December 31, 2008, there were 40 banking, building society and Class 1 deposit taking license holders; 81 investment business and Class 2 investment business license holders; 61 managers of collective investment schemes and Class 3 services to collective investment schemes license holders; 204 corporate service providers and Class 4 corporate services license holders; and 131 trust service providers and Class 5 trust services license holders.

Free Trade Zone: Yes

Isle of Man has one Freeport, the Ronaldsway Freeport.

Criminalizes narcotics money laundering: Yes

Narcotics-related money laundering is criminalized through the Proceeds of Crime Act 2008.

Criminalizes other money laundering, including terrorism-related: Yes

Money laundering is criminalized broadly in the Proceeds of Crime Act 2008. All relevant categories of predicate offenses are covered, including terrorism.

Criminalizes terrorist financing: Yes

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

Terrorist financing is criminalized in the Isle of Man by sections 7–10 of the Anti-Terrorism and Crime Act 2003. A new Terrorism (Finance) Act 2009 (TFA) came into force on July 15, 2009. The TFA allows the IOM authorities to compile its own list of suspects subject to sanctions when appropriate.

Know-your-customer rules: Yes

Coverage of preventive measures in the IOM includes all of the main financial businesses covered by the FATF definition of "financial institution." The Criminal Justice (Money Laundering) Code 2008 includes an obligation to identify (and to take reasonable steps to verify) all customers and beneficial owners. Appropriate requirements apply in relation to legal persons, parties to legal arrangements, and persons acting on behalf of others. The TFA provides the Treasury with powers to issue directions to individuals or companies to enhance Customer Due Diligence (CDD), monitoring or systematic reporting.

Bank records retention: Yes

Pursuant to the Criminal Justice (Money Laundering) Code 2008, transaction records and identity verification documents must be retained for at least five years.

Suspicious transaction reporting: Yes

The Financial Crime Unit (FCU), the IOM's financial intelligence unit, is the national center for receiving, analyzing and disseminating suspicious transaction reports (STRs) and other relevant intelligence. In 2008, 918 STRs were filed.

Large currency transaction reporting: No

The IOM authorities have considered the feasibility and relative utility of introducing a threshold-based reporting system for currency transactions. They determined, however, that such a reporting system was not feasible for the IOM and that the continuation of the current system based on suspicious transaction reporting was more appropriate.

Narcotics asset seizure and forfeiture: Yes

The Proceeds of Crime Act 2008 allows the recovery of property which is or represents property obtained through unlawful conduct, or which is intended to be used in unlawful conduct. It also provides for confiscation orders in relation to persons who benefit from criminal conduct and for restraint orders to prohibit dealing with property.

Narcotics asset sharing authority:

There are currently no specific legislative provisions relating to the sharing of confiscated assets with other jurisdictions. Asset sharing is negotiated on an individual case by case basis. The Proceeds of Crime Act 2008 contains a provision allowing the Treasury to enter into asset sharing agreements on behalf of the IOM.

Cross-border currency transportation requirements: Yes

Travelers entering or leaving the Isle of Man and carrying any sum equal to or exceeding 10,000 Euros (or its equivalent in other currencies or easily convertible negotiable instruments) are required to make a declaration to the customs authorities.

Cooperation with foreign governments (including refusals): Yes

The IOM cooperates with international authorities on regulatory and criminal matters. Under the 1990 Criminal Justice Act, the provision of documents and information is available to all countries and territories for the purposes of investigations into serious or complex fraud, drug-trafficking and terrorism. All decisions for assistance are made by the Attorney General of the IOM on a case-by-case basis, depending on the circumstances of the inquiry.

The Proceeds of Crime Act 2008 contains provisions to give effect to overseas requests and orders related to property found or believed to be obtained through criminal conduct. The Customs and Excise (Amendment) Act 2001 permits Customs and Excise to release information to any agency within or outside the IOM for the purposes of any criminal investigation and proceeding, either spontaneously or upon request.

U.S. or international sanctions or penalties: No.

Enforcement and implementation issues and comments:

IOM legislation provides powers to constables, including customs officers, to investigate whether a person has benefited from any criminal conduct. These powers allow information to be obtained about that person's financial affairs. These powers can be used to assist in criminal investigations abroad as well as in the IOM.

U.S.-related currency transactions:

The U.S. dollar is the most commonly used currency for criminal activity in the IOM.

Records exchange mechanism with U.S.:

In 2003, the U.S. and the UK agreed to extend to the IOM the U.S.-UK Treaty on Mutual Legal Assistance in Criminal Matters. The FCU is able to exchange information with the Financial Crimes Enforcement Network (FinCEN).

International agreements:

As a British Crown Dependency, the IOM is not empowered to sign or ratify international conventions on its own behalf. However, following a request by the IOM Government, the UK may extend ratification of any convention to the IOM. Application of the 1988 UN Drug Convention was extended to the IOM in 1993. The UN Convention for the Suppression of the Financing of Terrorism was also extended to the IOM in 2008 as was the UN Convention against Corruption in 2006.

The IOM is a party to various information exchange agreements with countries in addition to the United States; authorities can share information or provide assistance to foreign jurisdictions in matters relating to money laundering or other financial crimes without need for a treaty.

Compliance with the FATF recommendations was evaluated in a report prepared by the International Monetary Fund's Financial Sector Assessment Program. The report can be found here: http://www.imf.org/external/pubs/ft/scr/2009/cr09275.pdf

Recommendations:

The Isle of Man has had anti-money laundering/counter-terrorist financing (AML/CFT) legislation in place for well over a decade. The new regulatory regime consolidates and simplifies the old regime and provides a transparent and user-friendly regulatory environment, further promoting the Isle of Man as a leading offshore market. Isle of Man officials should continue to support and educate the local financial sector to help it combat current trends in money laundering and terrorist financing. The IOM should ensure that obligated entities understand and respond to their new and revised responsibilities. The authorities also should continue to work with international AML/CFT authorities to deter financial crime and the financing of terrorism and terrorists.

Israel

Israel is not regarded as a regional financial center. It primarily conducts financial activity with the markets of the United States and Europe, and to a lesser extent with the Far East. Criminal groups in Israel with ties to the former Soviet Union, United States, and European Union often utilize a maze of offshore shell companies and bearer shares to obscure beneficial owners. Recent studies by the authorities estimate illegal gambling profits at over $2 billion per year and domestic narcotics profits at $1.5 billion per year. Human trafficking is considered the crime-for-profit with the greatest human toll in Israel, and public corruption the crime with the greatest social toll. Black market penetration in Israel remains low and is comparable in scale to that of western, industrialized nations. While there have been some reports of trade-based money laundering, Israeli enforcement capacity is adequate to keep the problem to minimum levels. With the exception of a few isolated incidents involving the sales of drugs in the United States by Israeli organized crime, Israel's illicit drug trade is domestically focused and has little to no connection with illegal drug sales in the United States.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

In August 2000, Israel enacted its anti-money laundering legislation, the Prohibition on Money Laundering Law (PMLL, Law No. 5760-2000). Among other things, the PMLL criminalizes money laundering and includes 18 serious crimes, in addition to offenses described in the prevention of terrorism ordinance, as predicate offenses for money laundering, even if committed in a foreign jurisdiction.

Criminalizes terrorist financing: Yes

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

In December 2004, the Israeli Parliament adopted the prohibition on terrorist financing law 5765-2004, which further modernizes and enhances Israel's ability to combat terrorist financing and to cooperate with other countries on such matters. The Law went into effect in August 2005, criminalizing the financing of terrorism.

Know-your-customer rules: Yes

In 2001, Israel adopted the Banking Corporations Requirement Regarding Identification, Reporting, and Record Keeping Order. The Order establishes specific procedures for banks with respect to customer identification, record keeping, and the reporting of irregular and suspicious transactions.

Bank records retention: Yes

Amendments to the PMLL authorize the issuance of regulations requiring financial service providers to identify, report, and keep records for specified transactions for seven years.

Suspicious transaction reporting: Yes

Clarifications to the PMLL were approved in Orders 5761-2001 and 5762-2002 requiring that, in addition to banks, suspicious transactions be reported by members of the stock exchange, portfolio managers, insurers or insurance agents, provident funds and companies managing a provident fund, providers of currency services, money services businesses and the Postal Bank. Suspected terrorist financing activity must also be reported.

Through November 2009, IMPA received 23,902 suspicious transaction reports and disseminated 418 intelligence reports to law enforcement agencies and 205 to foreign FIUs.

Large currency transaction reporting: Yes

Financial institutions must report all transactions that exceed a minimum threshold that varies based on the relevant sectors and the risks that may arise, with more stringent requirements for transactions originating in a high-risk country or territory.

Narcotics asset seizure and forfeiture:

Israeli law provides for the tracing, freezing, and seizure of assets. In 2009, the Israeli National Police (INP) reported a significant increase in the amount of monetary seizures over the previous year—more than triple the amount of 2008. Through November 2009, the INP reported narcotics-related monetary seizures of NIS 20.2 million (approximately $5.32 million), anti-money laundering-related seizures of NIS 49.9 million (approximately $13.14 million), and NIS 6.6 million for other seizures (approximately $1.74 million). Through September 2009, IMPA reports that about NIS 11.9 million (approximately $3.2 million) was frozen, seized, or confiscated in AML/CFT-related actions.

Israel's International Legal Assistance Law enables Israel to offer full and effective cooperation to authorities in foreign states, including enforcement of foreign forfeiture orders in terror financing cases (both civil and criminal).

On December 24, 2008, the Security Cabinet approved the designation of 35 foreign terrorist organizations, all of which were related to Al Qaeda or the Taliban, and appeared on both the UNSCR 1267 Sanctions Committee consolidated list and the list of Specially Designated Global Terrorists designated by the United States pursuant to E.O. 13224. On November 5, 2009 Israel also designated an additional 50 foreign terrorist organizations, based on the UN Security Council Resolution 1267 list.

Narcotics asset sharing authority:

No information provided.

Cross-border currency transportation requirements: Yes

Regulations establish methods of reporting to the Customs Authority monies brought into or out of Israel, and criteria for financial sanctions for violating the law. The regulations require the declaration of currency transferred (including cash, travelers' checks, and banker checks) into or out of Israel for sums above 90,000 new Israeli shekels (NIS) (approximately $23,600). This applies to any person entering or leaving Israel, and to any person bringing or taking money into or out of Israel by mail or any other methods, including cash couriers. On September 24, 2009, an additional draft Bill for PMLL (Amendment No. 8) was published. Among its amendments: the threshold regarding the obligation to report monies upon entry to/exit from Israel was reduced to approximately $10,000 and the differentiation of assets and "willful blindness" exemption were removed; and cross-border declarations must now include all negotiable instruments.

Cooperation with foreign governments (including refusals): Yes

No known impediments exist to cooperation.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

In 2009, there were several changes to Israel's anti-money laundering/counter-terrorist financing (AML/CFT) legislation, and a significant increase in the number of reported seizures related to financial crime by the INP.

Through September 2009, IMPA reported 30 investigations (concerning 66 persons), 10 prosecutions (concerning 21 persons) and six final convictions (concerning 14 persons) relating to money laundering and/or terrorist financing. Through November 2009,

U.S.-related currency transactions:

In May 2008, Agents from U.S. Immigration and Customs Enforcement (ICE) and officers from U.S. Customs and Border Protection (CBP) conducted joint bulk currency interdiction operations with Israeli law enforcement counterparts in Israel and at U.S. airports as part of the Department of Homeland Security's (DHS) "Hands Across the World" initiative. The coordinated law enforcement effort resulted in an arrest and two seizures in the United States and 14 seizures in Israel. The combined seizures totaled nearly $500,000 in cash, negotiable checks, gold and diamonds.

In October 2006, the U.S. Department of Treasury, the Federal Deposit Insurance Corporation, and the New York State Banking Department penalized Israel Discount Bank $12 million to settle charges that its AML procedures were lax. The action was specifically related to the transfer of billions of dollars of illicit funds from Brazil to Israel Discount Bank's New York offices.

Records exchange mechanism with U.S.:

Israel has a Mutual Legal Assistance Treaty with the United States, as well as a bilateral mutual assistance agreement in customs matters. On November 20 2009, the Constitution, Law and Justice Committee of the Knesset approved an amendment to the International Legal Assistance Law of 1998 concerning additional related predicate offences. This amendment will improve international cooperation by increasing Israel's effectiveness in providing mutual legal assistance to foreign countries related to the freezing, seizure and confiscation of instruments and proceeds of crime. This amendment will enable the enforcement of foreign forfeiture orders in Israel according to requests of another state and enforcement of forfeiture orders abroad according to requests on behalf of the state of Israel. Customs, IMPA, the INP and the Israel Securities Agencies routinely exchange information with U.S. agencies through their regional liaison offices, as well as through the Israel Police Liaison Office in Washington.

The U.S. Financial Crimes Enforcement Network (FinCEN) and the IMPA engage in sharing and exchanging financial intelligence information.

International agreements:

The Israeli FIU can share information or provide assistance to foreign counterparts in matters relating to money laundering or other financial crimes without need for a treaty.

Israel is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - No

Israel is an observer of the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at: www.coe.int/moneyval

Recommendations:

The Government of Israel has developed an AML/CFT financial regulatory sector and enforcement capacity that compares with advanced, industrialized nations. Israel remains deficient, however, in regulating its diamond trade, intermediaries such as accountants and lawyers, and other nonbank sectors. Following the establishment of a new government in 2009, Israel should continue its aggressive investigation of money laundering activity associated with organized criminal groups. Israel should ratify the UN Convention against Corruption.

Italy

Italy is fully integrated into the European Union (EU) single market for financial services. Money laundering is a concern because of the prevalence of homegrown organized crime groups as well as criminal organizations from abroad, especially from Albania, Bulgaria, China, Israel, Romania and Russia. Italy is both a consumer country and a major transit point for heroin coming from South Asia through the Balkans en route to Western/Central Europe and, to a lesser extent, the United States. The heavy involvement of organized crime groups in narcotics-trafficking complicates narcotics-related anti-money laundering (AML) activities because of the sophistication of the laundering methods used by these groups. Italian and ethnic Albanian criminal organizations work together to funnel drugs to Italy and, in many cases, on to third countries. Additional important trafficking groups include Balkan organized crime entities, as well as Nigerian, Colombian, and other South American trafficking groups. In addition to the narcotics trade, laundered money originates from myriad criminal activities, such as alien smuggling, contraband cigarette smuggling, counterfeit goods, extortion, human trafficking, and usury. Financial crimes not directly linked to money laundering, such as credit card fraud, Internet fraud, and phishing have increased over the past year.

Money laundering occurs both in the regular banking sector and in the nonbank financial system, including casinos, money transfer houses, and the gold market. There is a substantial black market for smuggled goods in the country, but it is not believed to be funded significantly by narcotics proceeds. Italy's underground economy is an estimated 15-17 percent of Italian GDP, totaling about 226 to 250 billion Euros (approximately $336 billion to $371 billion), though a substantial fraction of this total is related to tax evasion of otherwise legitimate commerce.

Offshore Center: No

Free Trade Zones: Yes

Free trade zones are located in Trieste and Venice

Criminalizes narcotics money laundering: Yes

All criminal offenses are predicates to the crime of money laundering, regardless of the applicable sentence for the predicate offense.

Criminalizes other money laundering, including terrorism-related: Yes

Law 197 of July 1991 is Italy's framework AML legislation. It was amended in 2007 by Anti-Money Laundering/Counter-Terrorist Financing (AML/CFT) Legislative Decree 231/2007 which broadens the range of predicate offenses. The Decree consolidates the existing AML/CFT regulations and stipulates the general principles and definitions of AML/CFT measures; authorities in charge; customer due diligence (CDD) requirements and obligations, record keeping and suspicious transaction reporting; prohibition of bearer instruments, anonymous accounts and saving books; and sanctions. Article 648 of the Penal Code criminalizes money laundering.

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

Article 270 of the Penal Code criminalizes terrorist financing.

Know-your-customer rules: Yes

Legislative decree 231 of 2007 sets out CDD requirements. Italy utilizes the risk-based approach. Covered entities include banks, Italian postal services, electronic money institutions, investment firms, insurance companies, agencies providing tax collection services, stock brokers, financial intermediaries, trust companies, lawyers, accountants, auditors, and casinos. Anonymous accounts are prohibited, as are bearer passbooks with a balance exceeding 12,500 Euros (approximately $16,900).

Bank records retention: Yes

Records must be retained for a period of ten years after the continuous relationship or professional service has ended.

Suspicious transaction reporting: Yes

There is no reporting threshold for suspicious transaction report (STR) filing. The financial intelligence unit (FIU) received 14,068 STRs in 2008, and 9,600 in the first half of 2009 from credit and financial institutions. It received an additional 173 STRs in 2008, and 83 through June 2009 from designated non-financial businesses and professions.

Large currency transaction reporting:

Financial institutions are required to maintain a centralized electronic AML database for all transactions (including wire transfers) over 15,000 Euros (approximately $20,250) and to submit this data monthly to the FIU.

Narcotics asset seizure and forfeiture:

Italy has established reliable systems for identifying, tracing, freezing, seizing, and forfeiting assets from narcotics-trafficking and other serious crimes, including terrorism. These assets include currency accounts, real estate, vehicles, vessels, drugs, legitimate businesses used to launder drug money, and other instruments of crime. Under anti-mafia legislation, seized financial and nonfinancial assets of organized crime groups can be forfeited. The burden of proof is on the Italian government to make a case in court that assets are related to narcotics-trafficking or other serious crimes. Law enforcement officials have adequate powers and resources to trace and seize assets, with judicial concurrence. The *Agenzia del Demanio* (State Property Agency) is responsible for managing both frozen terrorist-related assets and sequestered criminal assets.

Italy currently has frozen 177,833 Euros (approximately $240,075) in funds in 36 accounts, belonging to 30 persons designated terrorists under UNSCR 1267and domestic authority, which is used to implement UNSCR 1373.

***Narcotics asset sharing*:** Yes

Italy shares seized assets with member states of the European Union. Currently, assets can be shared bilaterally only if agreement is reached on a case-specific basis.

Cross-border currency transportation requirements: Yes

Italy applies the 10,000 euro-equivalent (approximately $14,500) reporting requirement to cross-border transport of domestic and foreign currencies and negotiable bearer instruments. Italy has a declaration system, rather than disclosure system, and the fines for failure to declare a cross-border transaction or transportation of funds may be up to 40 percent of the amount beyond the threshold.

Cooperation with foreign governments (including refusals): Yes

To date, Italy has never refused a request for assistance in providing information to another nation's FIU. There are no known impediments to cooperation.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Italian law does not allow someone to be prosecuted for laundering the proceeds of crimes they themselves committed (self-laundering).

In 2009, Italy declared a Tax Amnesty to encourage the repatriation of otherwise legitimate funds sent abroad purely to evade taxes. The Italian government insists that all AML obligations for STRs are still in place; therefore, it does not believe the tax amnesty will present new opportunities for the conversion of illicit funds.

Currently, approximately 1.3 billion Euros worth of 'old' lira are still outstanding in the economy. The Ministry of Economics and Finance (MEF) estimates that between 700-800 million Euros worth of these lira are crime related and will have to be laundered prior to the 2012 deadline for converting them into Euros. The MEF has issued a directive to private sector financial intermediaries to be aware of this and to strictly adhere to all STR obligations.

U.S.-related currency transactions:

Money launderers predominantly use nonbank financial institutions for the export of undeclared or illicitly obtained currency—primarily U.S. dollars and Euros—for laundering in offshore companies.

Records exchange mechanism with U.S.:

Italy and the United States are parties to a bilateral mutual legal assistance treaty (MLAT) that provides for exchange of information. In May 2006, the U.S. and Italy signed a new bilateral instrument on mutual legal assistance as part of the process of implementing the U.S. - EU Agreement on Mutual Legal Assistance. Once ratified, the new U.S./Italy bilateral treaty will allow for joint investigative teams, easier asset freezing, and faster sharing of financial information. The U.S. Senate has already ratified the treaties. On the Italian side, the treaties were approved by the Council of Ministers in November 2008; as of November 2009, Italy had not yet ratified the treaty.

The Italian FIU regularly exchanges information with the FIU of the United States, FinCEN, through the Egmont Group information sharing process. The Italian FIU has also signed a memorandum of understanding (MOU) with FinCEN.

International agreements:

Italy is a party to various information exchange agreements with numerous foreign governments.

Italy is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes

- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

Italy is a member of FATF. It's most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/52/29/36221355.pdf

Recommendations:

Given the relatively low number of STRs being filed by nonbank financial institutions, Italy should improve its training efforts and supervision in this sector and should clarify attorney/client privilege. Italy should take steps to allow for civil in rem forfeiture of criminal proceeds. Italian law enforcement agencies should take additional steps to understand and identify underground finance and value transfer methodologies employed by Italy's burgeoning immigrant communities. Italy also should ensure its new regulations on PEPs are enforced. The Government of Italy should ratify the bilateral instrument on Mutual Legal Assistance. Finally, Italy should continue its active participation in multilateral fora dedicated to the global fight against money laundering and terrorist financing and its assistance to jurisdictions with nascent or developing AML/CFT regimes.

Japan

Japan is the world's second largest economy. Although the Japanese government continues to strengthen legal institutions to permit more effective enforcement of anti-money laundering/counter-terrorist financing (AML/CFT) laws, Japan still faces substantial risk of money laundering by organized crime and other domestic and international criminal elements. In 2008, organized crime groups were involved in 36 percent of the money laundering cases. The major sources of money laundering proceeds include drug trafficking, fraud, the black market economy, remittance frauds, prostitution, illicit gambling and loan-sharking. In general, the police are well aware of the money laundering schemes used in Japan.

Offshore Center: No

Free Trade Zones: Yes

Japan has one free-trade zone, the Okinawa Special Free Trade Zone, established in 1999 in Naha, to promote industry and trade in Okinawa. The zone is regulated by the Department of Okinawa Affairs in the Cabinet Office. Japan also has two free ports, Nagasaki and Niigata. Customs authorities allow the bonding of warehousing and processing facilities adjacent to these ports on a case-by-case basis.

Criminalizes narcotics money laundering: Yes

Drug-related money laundering was first criminalized under the Anti-Drug Special Provisions Law that took effect in July 1992. The narrow scope of this law and the burden required of law enforcement to prove a direct link between money and assets to specific drug activity limits the law's effectiveness.

Criminalizes other money laundering, including terrorism-related: Yes

Japan expanded its money laundering law beyond narcotics trafficking to include money laundering predicate offenses such as murder, aggravated assault, extortion, theft, fraud, and kidnapping when it passed the 1999 Anti-Organized Crime Law (AOCL), which took effect in February 2000.

Criminalizes terrorist financing: Yes

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

The 2002 Act on Punishment of Financing of Offenses of Public Intimidation, enacted in July 2002, criminalizes terrorism and terrorist financing, adds terrorist financing to the list of predicate offenses for

money laundering, and provides for the freezing of terrorism-related assets. The terrorist finance offense does not cover collection of funds by non-terrorists, nor does it criminalize the indirect collection or provision of funds.

Know-your-customer rules: Yes

In April 2002, the Law on Customer Identification and Retention of Records on Transactions with Customers by Financial Institutions was enacted. The law reinforces and codifies the customer identification and record-keeping procedures that banks had practiced for years. The Foreign Exchange and Foreign Trade law was revised in January 2007, to require financial institutions to make positive customer identification for both domestic transactions and transfers abroad in amounts of more than 100,000 yen (approximately $1,120).

The Customer Due Diligence (CDD) requirements of the Prevention of Transfer of Criminal Proceeds Act, (PTCPA) which require financial institutions to verify customer identification data for natural and legal persons, effectively prohibit the opening of anonymous accounts or accounts in fictitious names. Effective March 1, 2008, the entities obligated to undertake customer identification, record keeping, and suspicious transaction reporting include designated nonfinancial businesses and professions (DNFBPs), to include real estate agents, private mail box agencies, dealers of precious metals and stones; and certain types of trust and company service providers. On March 6, 2009, the Financial Services Agency (FSA) submitted the "Payment Services Bill" to the Diet. The bill enables entities other than banks (i.e., funds transfer service providers) to engage in the remittance business under a registration system and requires them to comply with anti-money laundering regulations, based on the PTCPA.

Bank records retention: Yes

The PTCPA requires financial institutions, upon concluding a transaction (international or domestic), to immediately prepare transaction records and to maintain those records for seven years from the day the transaction was conducted. Banks and financial institutions also are required to maintain customer identification records for seven years.

Suspicious transaction reporting: Yes

The PTCPA obligates financial institutions to promptly report information on suspicious transactions. Japan's financial intelligence unit (FIU) reports receiving more than 235,000 suspicious transaction reports (STRs) in 2008. Following its analysis, the FIU circulates approximately 62 percent of the STRs received to law enforcement agencies.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture:

Japanese law provides for the tracing, freezing, and seizure of assets. Chapter 9 of the Code of Criminal Procedure provides for broad search and seizure authority. However, the Anti-Drug Special Provisions Law contains two articles of significant scope. Article 19 provides for an *ex parte* application for an order to secure against drug proceeds while Article 20 allows a freezing order for all property of a future defendant even before court proceedings have been initiated. Article 22 of the Act on the Punishment of Organized Crime contains similar provisions for securing assets related to crime and drug proceeds.

As to the freezing of terrorist assets, the system does not allow for freezing without delay. Japan's system does not cover assets raised by a non-terrorist for use by a terrorist or terrorist organization. To freeze terrorist assets, Japan relies on a licensing system that does not require financial institutions to screen their customer database and freeze designated funds or assets. The process does not cover transactions in domestic currency within Japan that does not involve a nonresident. Japan can freeze terrorist funds under the Act on the Punishment of Financing of Offenses of Public Intimidation and the Act on the Punishment of Organized Crime only if there is an attempted transaction in foreign currency, with a non-

resident in Japan, or overseas transactions are undertaken. Japan's freezing mechanism reaches only funds, not other kinds of assets.

Narcotics Asset sharing Authority: No

Japan has not enacted laws that allow for sharing of seized narcotics assets with other countries. However, the Japanese government fully cooperates with efforts by the United States and other countries to trace and seize assets.

Cross-border currency transportation requirements: Yes

The Foreign Exchange and Foreign Trade Law requires travelers entering and departing Japan to report physically transported currency and monetary instruments (including securities and gold weighing over one kilogram) exceeding one million yen (approximately $11,235), or its equivalent in foreign currency, to customs authorities. Failure to submit a report, or submitting a false or fraudulent report, may result in sanctions.

Cooperation with foreign governments (including refusals):

In certain types of cases, Japan's dual criminality condition acts as a significant barrier to mutual legal assistance. Limitations in Japan's money laundering offense, including with respect to narcotics money laundering, restricts the extent and effectiveness of Japan's capacity to confiscate, seize and freeze assets in the context of mutual legal assistance.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

The current CDD provisions have been noted to be deficient with respect to identifying authorized persons, representatives and beneficiaries, or beneficial owners. There is no requirement for financial institutions to gather information on the purpose and intended nature of the business relationship or to conduct ongoing due diligence on these relationships. Additionally, Japan has not implemented an AML/CFT risk-based approach; consequently, there are no provisions that mandate enhanced due diligence for higher-risk customers, business relationships and transactions, or that authorize simplified due diligence. Additionally, there are exemptions to the identification obligation on the grounds that the customer or transaction poses no or little risk of money laundering or terrorist financing.

Japanese police and prosecutors have undertaken few investigations and prosecutions of suspected money laundering, in part because public prosecutors require a very high certainty of conviction before instigating court proceedings and rely heavily on confessions, which are not readily available in cases involving money laundering cases involving drug trafficking proceeds.

Few resources are devoted to enforcement of cross-border currency declaration requirements.

In June 2009, the FSA ordered Citigroup Japan to suspend sale promotions for a month at its retail bank for insufficient oversight against money laundering. The FSA said Citigroup had not developed adequate systems to detect suspicious transactions, such as money laundering, citing a similar violation that was part of the reason regulators closed its private banking business in 2004.

U.S.-related currency transactions:

U.S. law enforcement investigations periodically show a link between drug-related money laundering activities in the U.S. and bank accounts in Japan.

Records exchange mechanism with U.S.:

A mutual legal assistance treaty (MLAT) exists between Japan and the United States. Since November 2004, FinCEN and the Japanese FIU have had a memorandum of understanding, formalizing their information exchange arrangement. In 2002, Japan's FSA and the U.S. Securities and Exchange

Commission (SEC) and Commodity Futures Trading Commission (CFTC) signed a nonbinding Statement of Intent (SOI) concerning cooperation and the exchange of information related to securities law violations. In 2006, an amendment to the SOI added financial derivatives.

International agreements:

Japan has existing MLATs with the Republic of Korea, the People's Republic of China, Hong Kong and Russia. These treaties enable both countries to execute mutual legal assistance promptly through the central authorities, and strengthen the cooperation of both countries in criminal matters, including AML/CFT matters. Japan's FIU has made Statements of Cooperation with authorities of Hong Kong, Australia, Belgium, Malaysia, Thailand, Singapore, Canada, Indonesia, the United Kingdom, Brazil, the Philippines, Switzerland, Italy, Portugal, the Republic of Korea, Romania and Paraguay.

Japan is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - No
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - No

Japan is a member of the Financial Action Task Force (FATF) and the FATF-style regional body, the Asia/Pacific Group against Money Laundering (APG). Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/8/48/41654127.pdf

Recommendations:

The Government of Japan has many legal tools and programs in place to successfully detect, investigate, and combat money laundering and terrorist financing. However, the number of investigations, prosecutions, and convictions for money laundering remain low in relation to the amount of illicit drugs consumed and other predicate offenses. To strengthen its AML/CFT regime, Japan should provide more training and investigatory resources for AML/CFT law enforcement authorities. Japan should also consider the implementation of a system to report large currency transactions. Japan should implement an effective CDD regime that comports with international standards. Increased emphasis should be given to combating underground financial networks that are not subject to financial transparency safeguards. Since Japan is a major trading power and the misuse of trade is often the facilitator in alternative remittance systems, underground finance, and value transfer schemes, Japan should take steps to identify and combat trade-based money laundering. Japan should also become a party to the UN Convention against Transnational Organized Crime and the UN Convention against Corruption, and should fully implement the freezing obligations for terrorist funds, including other property, according to the UN Convention for the Suppression of the Financing of Terrorism.

Jersey

The Island of Jersey, the largest of the Channel Islands, is an international financial center offering a sophisticated array of offshore services. Jersey is a British crown dependency but has its own parliament, government, and laws. The United Kingdom (UK) remains constitutionally responsible for its defense and international representation but has entrusted Jersey to negotiate and sign tax information exchange agreements directly with other jurisdictions. The financial services industry is a key sector, with banking, investment services, and trust and company services accounting for approximately half of Jersey's total economic activity. As a substantial proportion of customer relationships are established with nonresidents, most of the illicit money in Jersey is derived from foreign criminal activity. In particular, the Island's financial services industry continues to be vulnerable to the laundering of the proceeds of foreign political corruption in industries such as oil, gas and transportation.

Offshore Center: Yes

Jersey is an offshore financial center. As of December 31, 2009, the financial service industry consisted of 47 banks; ten recognized funds and 1,472 fund certificate holders; 186 insurance businesses, which are largely UK-based; 113 investment businesses; five money service businesses; 438 fund services businesses; and 186 trust and company businesses. In addition to financial services, trust companies offer corporate services, such as special purpose vehicles used for debt restructuring and employee share ownership schemes, and wealth management services. All regulated entities can sell their services to both residents and nonresidents. All banks and most other regulated entities have a physical presence in Jersey, where management must also be. Jersey's trust companies administer a number of companies registered in other jurisdictions and owned by non-residents. These administered companies do not pay Jersey income tax unless they have Jersey source trading income.

Free Trade Zone: No

Criminalizes narcotics money laundering: Yes

Jersey's main anti-money laundering (AML) laws are the Drug Trafficking Offenses (Jersey) Law 1988 (DTOL) criminalizes money laundering related to narcotics trafficking; and

Criminalizes other money laundering, including terrorism-related: Yes

The Proceeds of Crime (Jersey) Law 1999 (POCL) extends the predicate offenses for money laundering to all offenses punishable by at least one year in prison. Both the DTOL and the POCL were last amended in 2008 to enhance various provisions, including those regarding the failure to report knowledge or suspicion of money laundering and the enforcement of external confiscation orders.

Criminalizes terrorist financing: Yes

Jersey criminalizes money laundering related to terrorist activity through the Terrorism (Jersey) Law 2002. This law was last amended in 2008, to enhance the powers of the authorities to cooperate with law enforcement agencies in other jurisdictions, enforce external confiscation orders, and to share forfeited assets.

Know-your-customer rules: Yes

Customer due-diligence (CDD) requirements are set forth in the POCL and the Money Laundering (Jersey) Order 2008 (MLO). Jersey's CDD requirements cover all of the financial businesses covered by the Financial Action Task Force (FATF) definitions of "financial institution," and "designated non-financial businesses and professions".

Reportedly, a substantial proportion—believed to be around 90 percent in some sectors—of nonresident customer relationships and financial services business conducted are on a non-face-to-face basis. In many cases the business relationship is established through intermediaries or introducers (Jersey or foreign). Subject to certain legal requirements, Jersey financial institutions are permitted to rely on intermediaries or introducers to conduct CDD on their behalf. Even where reliance is placed, CDD evidence is often independently checked by the Jersey financial institution, employing a risk-based approach.

Bank records retention: Yes

Under the MLO, obligated entities must keep a record containing details relating to each transaction for a period of five years after the transaction is completed.

Suspicious transaction reporting: Yes

The Jersey Joint Financial Crime Unit (JFCU), Jersey's financial intelligence unit (FIU) receives suspicious activity reports (SARs). As of December 31, 2009, 1,854 STRs were filed with the JFCU. In 2008, 1,404 STRs were filed. There is no reporting threshold for STRs.

Large cash transaction reports: No

In 2007 the AML/CFT Strategy Group considered the feasibility of and decided against implementing a reporting system for large currency transactions.

Narcotics asset seizure and forfeiture: Yes

There are provisions for seizure and confiscation measures for drug-related money laundering. The Drug Trafficking Offenses (Enforcement of Confiscation Orders) (Jersey) Regulations 2008 covers seizing of funds or property related to drug trafficking offenses upon request of a foreign jurisdiction.

Narcotics asset sharing authority: No

There are currently no specific legislative provisions relating to the sharing of confiscated assets with other jurisdictions. Asset sharing is negotiated on an individual case by case basis.

Cross-border currency transportation requirements: Yes

Persons entering and leaving Jersey (or exporting or importing goods) may be required to make a disclosure of the value of any cash or bearer negotiable instruments above euro 10,000 (approximately $14,100).

Cooperation with foreign government: Yes

Jersey cooperates with international jurisdictions on regulatory and criminal matters. The Jersey Financial Services Commission (JFSC) deals with requests for regulatory assistance, and the Attorney General is responsible for handling requests concerning criminal matters. Both publish guidance to assist foreign counterparts with making a request.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Jersey authorities have a continuing concern regarding the increasing incidence of domestic drug related crimes. The customs and law enforcement authorities devote considerable resources to countering drug-related crime. Over the past five years, approximately ten percent of SARs filed with the FIU were drug-crime related.

Jersey does not circulate the names of suspected terrorists and terrorist organizations. Jersey expects its institutions to gather information on the UNSCR 1267 Sanctions Committee's consolidated list and other entities designated by the UK from the websites of the JFSC, the Chief Minister's Department, other Internet websites, and other public sources. The Island has not designated any domestic terrorists, but does require regulated entities to follow UK and US terrorist lists. Jersey authorities have instituted sanction orders freezing accounts of individuals suspected of terrorist activity.

U.S.-related currency transactions:

No information provided.

Records exchange mechanism with U.S.:

Jersey and the U.S. are not parties to a bilateral mutual legal assistance treaty that provides for exchange of information; however, Jersey has granted U.S. requests for assistance in criminal matters. Jersey signed a Tax Information Exchange Agreement (TIEA) with the United States in 2002. The JFCU shares information with the U.S. Department of Treasury's Financial Crimes Enforcement Network (FinCEN) and the JFSC with its U.S. counterparts. In 2009, the JFSC signed a statement of cooperation with the Board of Governors of the Federal Reserve System, Office of the Comptroller of Currency, Federal Deposit Insurance Corporation, and Office of Thrift Supervision. This statement is in addition to existing memoranda of understanding with the Securities and Exchange Commission and Commodity Futures Trading Commission.

International agreements:

Jersey is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted so to do as is the case with tax information exchange agreements. Rather, the UK is responsible for Jersey's international affairs and, at Jersey's request, may arrange for the ratification of any Convention to be extended to Jersey. For example, the UK's ratification of the 1988 UN Drug Convention was extended to include Jersey in July 1998, and the UK's ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to Jersey on September 25, 2008.

In lieu of a mutual evaluation, a report was prepared by the International Monetary Fund's Financial Sector Assessment Program. The report can be found here: http://www.imf.org/external/pubs/ft/scr/2009/cr09280.pdf

Recommendations:

Jersey should continue to maintain and enhance its level of compliance with international standards. The Financial Services Commission should ensure its AML Unit has enough resources to function effectively, and to provide outreach and guidance to the sectors it regulates, especially the newest entities required to file reports. The Commission also should distribute the UN lists of designated terrorists and terrorist organizations to the obligated entities and not expect the entities to stay current through their own Internet research. Jersey also should implement mandatory cross-border currency reporting.

Kenya

Kenya is developing into a major money laundering country. Kenya's use as a transit point for international drug traffickers continues to increase and the laundering of funds related to Somali piracy is a substantial problem. Reportedly, Kenya's financial system may be laundering over $100 million each year, including an undetermined amount of narcotics proceeds and Somali piracy-related funds. There is a black market for smuggled goods in Kenya, which serves as the major transit country for Uganda, Tanzania, Rwanda, Burundi, northern Democratic Republic of Congo (DRC), and Southern Sudan. Goods marked for transit to these northern corridor countries avoid Kenyan customs duties, but authorities acknowledge they are often sold in Kenya. Many entities in Kenya are involved in exporting and importing goods, including nonprofit entities. As a regional financial and trade center for Eastern, Central, and Southern Africa, Kenya's economy has large formal and informal sectors. Although banks, wire services and other formal channels execute funds transfers, there are also thriving, unregulated informal networks of hawala and other alternative remittance systems using cash-based, unreported transfers that the Government of Kenya (GOK) cannot track. Expatriates, in particular the large Somali refugee population, primarily use hawala to send and receive remittances internationally.

Offshore Center: No

Free Trade Zones: No

***Criminalizes narcotics money laundering*:** Yes

Section 49 of the Narcotic Drugs and Psychotropic Substance Control Act of 1994 criminalizes money laundering related to narcotics trafficking.

***Criminalizes other money laundering, including terrorism-related**:* Yes

In December 2009, Parliament passed the Proceeds of Crime and Anti-Money Laundering Law, 2009 (AML Law), which was signed by the President on December 31, 2009. The AML Law addresses the offense of money laundering and introduces measures providing for the identification, tracing, freezing, seizure and confiscation of the proceeds of crime. It defines proceeds of crime as any property or economic advantage derived or realized, directly or indirectly, as a result of or in connection with an offense. The legislation provides for criminal and civil restraint, seizure and forfeiture. In addition, the AML Law authorizes the establishment of an FIU. However, the law will not come into force until the

Minister of Finance sets a date, by notice in the Gazette. According to the Act, such date shall not exceed six months after the date of assent, but no such date has yet been set.

Criminalizes terrorist financing: No

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

Know-your-customer rules*:* Yes.

The new AML Law establishes new know-your-customer requirements.

Bank records retention*:* Limited

Records must be maintained for transactions over $100,000 and international transfers exceeding $50,000.

Suspicious transaction reporting*:* Yes

The AML Law requires financial institutions and nonfinancial businesses and professions, including casinos, real estate agencies, precious metals and stones dealers, and accountants, to file suspicious transaction reports (STRs). Section 45 of the AML Law requires institutions to monitor all transactions, pay attention to unusual patterns of transactions, and report any suspicious transaction.

Large currency transaction reporting: Yes

Under the AML Law reporting institutions must file reports of all cash transactions exceeding the equivalent of $10,000 in any currency.

Narcotics asset seizure and forfeiture*:*

Kenyan law theoretically provides for the tracing, freezing, and seizure of assets, but it is weak and ineffective due to the requirements for obtaining a warrant. Asset seizures are rare, other than intercepted drugs and narcotics. The new AML Law contains asset seizure and forfeiture provisions but that law is not yet in force.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: Yes

Regulations are rarely enforced and records are not kept. Kenya has little in the way of cross-border currency controls. GOK regulations require that any amount of cash above $5,000 be disclosed at the point of entry or exit for record keeping purposes only, but this provision is rarely enforced, and authorities keep no record of cash smuggling attempts.

Cooperation with foreign governments (including refusals)*:* Information not available.

U.S. or international sanctions or penalties*:* No

Enforcement and implementation issues and comments:

The new AML Law has a number of deficiencies. While the AML Law does take an "all crimes" approach to money laundering predicate offenses, without a full review of the Kenyan criminal system and related legislation, it is not possible to determine the extent to which the predicate offenses meet the international standard. The AML Law does not mention terrorism or terrorist financing, and neither terrorism nor terrorist financing are criminalized in Kenya. The legislation does not explicitly authorize the seizure of legitimate businesses used to launder money. A number of amendments to the law appear to have made the AML Law less powerful than earlier drafts. For example, in the version of the bill that was passed, legal professionals were removed from those required to file STRs, the penalties for financial

institutions were reduced and the definition of monetary instruments was restricted to currency. Due to language in other parts of the law, the final impact of the amendments is unclear.

The GOK did not report any money laundering or terrorist financing arrests, prosecutions, or convictions from 2007 through 2009. Kenya lacks the institutional capacity, investigative skill and equipment to conduct complex investigations independently.

Kenya has no straightforward legal mechanism to freeze or seize criminal or terrorist accounts. To demand bank account records or to seize an account, the police must present evidence linking the deposits to a criminal violation and obtain a court warrant. The confidentiality of this process is difficult to maintain, and as a result of leaks, account holders are warned of investigations and then move their accounts or contest the warrants.

Kenya ranks 146 out of 180 countries on the 2009 Transparency International Corruption Perceptions Index.

U.S.-related currency transactions:

Annual remittances from expatriate Kenyans are estimated at $570 million to $1 billion. Nairobi's Eastleigh Estate has become an informal remittance hub for the Somali diaspora, transmitting millions of dollars every day from Europe, Canada and the U.S. to points throughout Somalia.

Records exchange mechanism with U.S.:

Kenya and the United States are not parties to a bilateral mutual legal assistance treaty that provides for exchange of information; however, Kenya has an informal arrangement with the U.S. for the exchange of information relating to narcotics, terrorist financing and other serious crime investigations and has cooperated with the U.S. in such situations.

International agreements:

Through an informal arrangement Kenya has cooperated with the United Kingdom in investigations relating to narcotics, terrorist financing and other serious crimes.

Kenya is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

Kenya is a member of the Financial Action Task Force-style regional body the Eastern and Southern African Anti-Money Laundering Group (ESAAMLG). At the time of publication, Kenya was scheduled to undergo its first mutual evaluation in April 2010. When the report is finalized and adopted, the report will be found at: www.esaamlg.org

Recommendations:

The Government of Kenya should bring into force the Proceeds of Crime and Anti-Money Laundering Law, 2009, as soon as possible. The GOK should implement the AML Law, and create an FIU. The GOK should criminalize terrorist financing and pass a law authorizing the government to seize the financial assets of terrorists. Kenyan authorities should take steps to ensure that nongovernmental organizations (NGOs), suspect charities and nonprofit organizations follow internationally recognized transparency standards and file complete and accurate annual reports. The Central Bank of Kenya (CBK), law enforcement agencies, and the Ministry of Finance should improve coordination to enforce existing laws and regulations to combat money laundering, tax evasion, corruption, and smuggling. The Minister of Finance should revoke or refuse to renew the license of any bank found to have knowingly laundered money, and the CBK should tighten its examinations and audits of banks. Kenyan law

enforcement should be more proactive in investigating money laundering and related crimes, and its customs authorities should exert control over Kenya's borders.

Latvia

Latvia is a growing regional financial center that has a large number of commercial banks with a sizeable nonresident deposit base. Authorities report that the largest source of money laundered in Latvia is tax evasion/fraud. Other sources include financial fraud, smuggling, and public corruption. Some proceeds of tax evasion appear to originate from outside of Latvia. Reportedly, Russian organized crime is active in Latvia, and authorities believe that a portion of domestically obtained criminal proceeds derives from organized crime. Latvia is among the Eastern European emerging economies most affected by the global financial turmoil. A large current account deficit, high external debt, and a very high loan to deposit ratio resulted in loss of access to foreign exchange funding in the second half of 2008. To ease the situation, the Government of Latvia (GOL) sought external financial support and agreed to an international stabilization program.

Offshore Center: No

Free Trade Zones: Yes

Four special economic zones provide a variety of significant tax incentives for manufacturing, outsourcing, logistics centers, and the transshipment of goods to other free trade zones. These zones are located at the free ports of Ventspils, Riga, and Liepaja, and in the inland city of Rezekne near the Russian and Belarusian borders. Though there have been instances of reported cigarette smuggling in the free trade zones, there have been no confirmed cases of the zones being used for money laundering schemes or by terrorist financiers. The zones are covered by the same regulatory oversight and enterprise registration regulations that exist for non-zone areas.

Criminalizes narcotics money laundering: Yes

In 2004, the GOL criminalized money laundering for all crimes listed in the Criminal Law of the Latvian Republic. Latvia's new anti-money laundering/counter-terrorist financing (AML/CFT) law, The Law on Prevention of Money Laundering and Terrorist Financing, has been in force since August 2008, and the GOL updated acts relevant to its enforcement.

Criminalizes other money laundering, including terrorism-related: Yes

Article 195 of Criminal Law has adopted an "all crimes" approach, so all proceeds-generating criminal offenses are considered predicate offenses to money laundering. The Criminal Law is extensive and covers all the categories of predicate offenses included in international standards.

Criminalizes terrorist financing: Yes

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

Article 88-1 of the Criminal Code, enacted April 28, 2005, criminalizes terrorist financing and meets the United Nations Security Council Resolution (UNSCR) 1373 requirements. The law penalizes the direct or indirect collection or transfer of any type of acquired funds or other property for the purposes of terrorism.

Know-your-customer rules: Yes

The AML/CFT law states financial institutions must identify all clients, both account holders and those who wish to carry out individual transactions, and report cash transactions based on established thresholds. The Regulations for Enhanced Customer Due Diligence provide additional measures on obtaining further information on beneficiaries. The Regulations also provide minimum requirements for

enhanced due diligence at inception of a business relationship with a customer as well as due diligence performed during a business relationship.

Bank records retention: Yes

Entities must retain transaction and identification data for at least five years after ending a business relationship with a client. This five year period can be extended by one year upon the request of the financial intelligence unit (FIU).

Suspicious transaction reporting: Yes

The AML/CFT law states that, in addition to credit and financial institutions, the law applies to tax advisors, external accountants, sworn auditors, sworn notaries, sworn advocates, other legal professionals in certain capacities, persons acting in the capacity of agents or intermediaries in real estate transactions, organizers of lotteries and gambling, persons providing money collection services, and other legal or natural persons involved in trading real estate, vehicles, items of culture, precious metals, precious stones and articles thereof or other goods. Obligated entities must file a suspicious transaction report (STR) with the FIU if there appears to be laundering or attempted laundering of the proceeds of crime or terrorist financing, based on a list of indicators of suspicious transactions. There are no monetary thresholds for suspicious transactions. In the first nine months of 2009, the FIU received 16,519 STRs. During the same period, the FIU submitted 102 cases for investigation.

Large currency transaction reporting: Yes

Obligated financial entities must report large cash transactions to the FIU. Depending on the situation and the business, the reporting threshold varies from 1000 lats to 40,000 lats (approximately $2,000-$80,000).

Narcotics asset seizure and forfeiture:

Latvia's Criminal Procedures Law enables law enforcement authorities to identify, trace, freeze, seize and confiscate criminal proceeds derived from all criminal acts, including terrorism and narcotics commerce. The FIU is empowered to issue freezing orders based on bank reports. Latvia does not have a civil forfeiture law. However, under Latvia's Criminal Procedures Law authorities can initiate a forfeiture action for assets recovered during a criminal investigation concurrently with the investigation itself - they do not need to wait until the investigation is complete or a trial begins. Latvia does enforce existing asset seizure and forfeiture laws. In the first nine months of 2009, Latvia froze 6,953,578 Euros (approximately $9,753,000), seized 1,018,343 Euros (approximately $1,400,000), and confiscated 709,453 Euros (approximately $1,000,000).

Narcotics asset sharing authority: Yes

According to Article 785 of the Criminal Procedures Law, the Ministry of Justice has the authority to share seized assets with other governments based on established criteria. The Criminal Procedures Law also establishes a process for responding to the request of a foreign state for the confiscation of property. In 2009, Latvia implemented the European Council Framework Decision 2006/783/JHA, which establishes the principle of mutual recognition of confiscation orders among EU member states.

Cross-border currency transportation requirements: Yes

The AML/CFT law obliges all persons transporting more than 10,000 Euros (approximately $14,000) in cash or monetary instruments between Latvia and any non-EU member state, to complete a written cash declaration form and submit it to a customs officer, or, where there is no customs checkpoint, to a border guard. People moving within the EU are exempt from any declaration requirement. In the first nine months of 2009, the FIU received 150 cash declaration reports.

Cooperation with foreign government: Yes

Article 62 of Latvia's AML/CFT law establishes procedures for exchanging information with foreign governments.

U.S. or international sanctions or penalties: Yes

In April 2005, the United States outlined concerns in a Notice of Proposed Rulemaking against VEF Banka, under Section 311 of the USA PATRIOT Act. The bank was found to lack adequate AML/CFT controls and was used by criminal elements to facilitate money laundering, particularly through shell companies. In August 2006, the United States issued a final rule imposing a special measure against the VEF Banka, as a financial institution of primary money laundering concern. This measure is still in effect.

Enforcement and implementation issues and comments:

Law enforcement agencies have a heavy workload and their budgets, salaries, and in some cases, personnel have been reduced due to the severe economic crisis. There were 39 criminal investigations, 24 prosecutions against 48 persons, and 3 persons convicted in the first nine months of 2009 on money laundering charges.

In 2009, the Latvian Central Criminal Police concluded a 20-month investigation in which they worked in close concert with other European countries, Ecuador and the United States to target a drug smuggling conspiracy led by a major Latvian organized crime figure.

Authorities report that there has been no significant change in the number of financial crimes over the past year, but the overall monetary value of money laundering may be decreasing due to the economic crisis. Authorities report seeing cases indicating possible trade-based money laundering schemes, but have not brought any such cases to court on money laundering charges.

U.S.-related currency transactions:

Currency transactions involving international narcotics trafficking proceeds do not include significant amounts of United States currency and apparently do not derive from illegal drug sales in the United States. However, U.S. law enforcement agencies have determined that some U.S criminal elements utilize the Latvian financial sector to launder narcotics proceeds.

Records exchange mechanism with U.S:

A Mutual Legal Assistance Treaty (MLAT) has been in force between the United States and Latvia since 1999. Latvia has cooperated with USG law enforcement agencies to investigate numerous financial crimes and narcotics smuggling. The Latvian FIU exchanges information with the U.S. FIU, FinCEN.

International agreements:

Latvia provides mutual legal assistance on the basis of international, bilateral or multilateral agreements to which Latvia is a party. Authorities in Latvia are also able to provide assistance outside of the formal mutual legal assistance process. The Ministry of Interior has concluded several bilateral law enforcement cooperation agreements. The AML/CFT law allows the Latvian FIU to exchange information with any government**.** Latvia's FIU has bilateral agreements with 20 other FIUs.

Latvia is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism – Yes
- the UN Convention against Transnational Organized Crime – Yes
- the 1988 UN Drug Convention – Yes
- the UN Convention against Corruption – Yes

Latvia is a member of the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force (FATF)-style regional body. The mutual evaluation report of Latvia conducted by MONEYVAL and the International Monetary Fund can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Latvia_en.asp

Recommendations:

Despite legislative and regulatory improvements, Latvia still faces significant money laundering threats tied to corruption, organized crime and nonresident account holders. It should continue to implement and make full use of the 2005 amendments to its Criminal Procedures Law and continue to actively implement and vigorously enforce the AML/CFT law. It is also vital that competent authorities be provided adequate resources and staffing to carry out their duties. Latvia should continue to strengthen its risk-based approach to AML/CFT and take steps to further enhance the preventative aspects of its AML/CFT regime, including ensuring effective implementation of customer due diligence requirements and increased scrutiny of higher risk categories of transactions, clients and countries. The GOL should continue to take steps to increase information sharing and cooperation between law enforcement agencies at the working level. The GOL also should work toward increasing its authorities' ability and effectiveness in aggressively prosecuting and convicting those involved in financial crimes.

Lebanon

Lebanon is a financial hub for banking activities in the Middle East and eastern Mediterranean and has one of the more sophisticated banking sectors in the region. Lebanon faces significant money laundering and terrorist financing vulnerabilities. For example, Lebanon has a substantial influx of remittances from expatriate workers and family members, estimated by the World Bank at $7 billion per year. It has been reported that a number of these Lebanese abroad are involved in underground finance and trade-based money laundering (TBML) activities. Laundered criminal proceeds come primarily from foreign criminal activity and organized crime. There is some smuggling of cigarettes and pirated software, but the sale of these goods does not generate large amounts of funds that are then laundered through the formal banking system. There is a black market for stolen cars, counterfeit goods and pirated software, CDs, and DVDs. The domestic illicit narcotics trade is not a principal source of money laundering proceeds.

Offshore Center: Yes

Although offshore banking, trust and insurance companies are not permitted in Lebanon, the government enacted Law No. 19 on September 5, 2008, expanding existing provisions regarding activities of offshore companies and transactions conducted outside Lebanon or in the Lebanese Customs Free Zone. All offshore companies must register with the Beirut Commercial Registrar, and the owners of an offshore company must submit copies of their identifications. Moreover, the Beirut Commercial Registrar maintains a special register, containing all relevant information about offshore companies. Offshore companies can issue bearer shares.

Free Trade Zones: Yes

There are two free trade zones (FTZ) operating in Lebanon: the Port of Beirut and the Port of Tripoli. FTZs fall under the supervision of the Customs Authority. Exporters moving goods into and out of the free zones submit a detailed manifest to Customs. Customs is required to inform the financial intelligence unit (FIU) on suspected TBML or terrorist financing, however, high-levels of corruption within Customs create vulnerabilities for TBML and other threats. Companies using the FTZ must be registered and must submit appropriate documentation, which is kept on file for a minimum of five years.

Criminalizes narcotics money laundering: Yes

In 2001, Lebanon enacted its anti-money laundering (AML) legislation, Law No. 318. This legislation creates a framework for lifting bank secrecy, broadening the criminalization of money laundering, and facilitating access to banking information and records by judicial authorities. Under this law, money laundering is a criminal offense.

Criminalizes other money laundering, including terrorism-related: Partially

Law No. 318 broadens the criminalization of money laundering beyond narcotics but does not cover all terrorist financing transactions.

Criminalizes terrorist financing:

In 2003, Lebanon also adopted Laws 547 and 553. Law 547 expands Article One of Law No. 318, criminalizing any funds resulting from the financing or contribution to the financing of terrorism or terrorist acts or organizations based on the definition of terrorism as it appears in the Lebanese Penal Code. Such definition does not apply to Hizballah, which is considered a legitimate political party—represented by members of Parliament and two Cabinet ministers in the current Cabinet—and resistance organization in Lebanon. The widespread view of Hizballah as a legitimate resistance organization, and thus not subject to Lebanese anti-terror financing laws poses a terrorist financing threat.

On October 8, 2008, the Parliament approved Law 32, which expands the scope of investigators' field of inquiry, granting them greater authority to include funds originating from corruption activities into money laundering cases.

Know-your-customer rules: Yes

All financial institutions and money exchange houses are regulated by Law No. 318, which clarifies the Central Bank's, Banque du Liban, powers to: require financial institutions to identify all clients, including transient clients; maintain records of customer identification information; request information about the beneficial owners of accounts; conduct internal audits; and, exercise due diligence in conducting transactions for clients.

Bank records retention: Yes

All obligated reporting entities must retain records for five years.

Suspicious transaction reporting: Yes

Law No. 318 established Lebanon's FIU, the Special Investigation Commission (SIC). The provisions of Law No. 318 expand the type of financial institutions subject to the provisions of the Banking Secrecy Law of 1956, to include institutions such as exchange offices, financial intermediation companies, leasing companies, mutual funds, insurance companies, companies promoting and selling real estate and construction, and dealers in high-value commodities. In addition, Law No. 318 requires companies engaged in transactions for high-value items (i.e., precious metals, antiquities, etc.) and real estate to report suspicious transactions.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture: Yes

Lebanese law allows for property forfeiture in civil as well as criminal proceedings. The Government of Lebanon (GOL) enforces existing drug-related asset seizure and forfeiture laws, allowing for the confiscation of assets determined to be related to or proceeding from money laundering or terrorist financing. Vehicles used to transport illegal goods, such as drugs, as well as legitimate businesses established from illegal proceeds are subject to seizure under Law 318. Forfeitures are then transferred to the Lebanese Treasury.

Narcotics asset sharing authority:

Lebanon cannot legally return forfeited assets (such as fraud proceeds) to the U.S.

Cross-border currency transportation requirements: No

Lebanon has no cross-border currency reporting requirements, presenting a significant cash-smuggling vulnerability.

Cooperation with foreign governments (including refusals): Yes.

The GOL is unable in many cases to assist the United States and others in forfeiture related requests. Lebanon cannot provide forfeiture assistance, legally, to the U.S.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

From January through November- 2009, the SIC investigated 116 cases involving allegations of money laundering, terrorism, and terrorist financing activities. Out of the 116, two were related to terrorist financing. The SIC froze the accounts of 23 individuals and 12 companies totaling approximately $2,751,397. As of November 2009, nine cases were transmitted by the general state prosecutor to the penal judge. However, as of late 2009 there has not been any money laundering convictions.

The SIC circulates to all financial institutions the names of suspected terrorists (individuals) and terrorist organizations on the UNSCR 1267 Sanctions Committee's consolidated list, and the list of Specially Designated Global Terrorists designated by the U.S. pursuant to Executive Order 13224, and by the European Union under their relevant respective authorities.

U.S.-related currency transactions:

The U.S. dollar is often used regionally in money laundering and terrorist financing.

Records exchange mechanism with U.S.:

Lebanon does not have a mutual legal assistance agreement with the United States. The SIC cooperates with U.S. Treasury's Financial Crimes Enforcement Network (FINCEN); in 2009, the SIC cooperated on corruption cases involving Lebanese and American businessmen regarding contract awards in Iraq.

International agreements:

As of early May 2009, the SIC had signed 21 memoranda of understanding with counterpart FIUs concerning international cooperation.

Lebanon is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - No
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

Lebanon is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force-style regional body. Its most recent evaluation will be posted at: www.menafatf.org

Recommendations:

The Government of Lebanon (GOL) should encourage more efficient cooperation between financial investigators and other relevant agencies such as customs, police, and internal security forces. Lebanon should increase efforts to disrupt and dismantle terrorist financing efforts, including Hizballah. The GOL should consider including a promotion offense within its money laundering law and should consider amending its legislation to allow a greater ability to provide forfeiture cooperation internationally and also provide authority for the return of fraud proceeds. There should be more emphasis on linking predicate

offenses to money laundering and not an over-reliance on suspicious transaction reports filed by financial institutions to initiate investigations. Lebanese law enforcement authorities should examine domestic ties to the international network of Lebanese brokers and traders that are commonly found in underground finance, trade fraud, and TBML. Existing safeguards do not address the issue of the laundering of diamonds and value transfer through Lebanon directly or by Lebanese buying agents in Africa. Although the number of suspicious transaction reports filed and subsequent money laundering investigations coordinated by the SIC have steadily increased, prosecutions and convictions are still lacking. The GOL should pass legislation to mandate and enforce cross-border currency reporting. The trading of bearer shares of unlisted companies remains a vulnerability, and the GOL should take action to immobilize those shares. Finally, the GOL should become a party to the UN International Convention for the Suppression of Terrorist Financing.

Liechtenstein

The Principality of Liechtenstein has a well-developed offshore financial services sector, liberal incorporation and corporate governance rules, relatively low tax rates, and a tradition of strict bank secrecy. All of these conditions significantly contribute to the ability of financial intermediaries in Liechtenstein to attract both licit and illicit funds from abroad. Liechtenstein's financial services sector includes 15 banks, three non-bank financial companies, 16 public investment companies, 163 insurance and reinsurance companies, 401 trust companies and 27 fund management companies with approximately 360 investment funds. The three largest banks control 90 percent of the market.

In recent years the Principality has made continued progress in its efforts against money laundering. On March 12, 2009, the Liechtenstein Government recognized the OECD standard as the global standard in tax cooperation and as a result renegotiated a series of Double Taxation Agreements (DTAs) to include administrative assistance on tax evasion cases.

Offshore Center: Yes

Liechtenstein has a well-developed offshore financial services sector. Liechtenstein's 392 licensed fiduciary companies and 60 lawyers serve as nominees for or manage more than 75,000 entities (mostly corporations or trusts) available primarily to nonresidents of Liechtenstein. Approximately one-third of these entities hold controlling interests in separate entities chartered outside of Liechtenstein. Laws permit corporations to issue bearer shares.

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Narcotics-related money laundering is criminalized through Article 165 of Liechtenstein's Criminal Code, the *Stafgesetzbuch* (StGB).

Criminalizes other money laundering, including terrorism-related: Yes

Money laundering is criminalized through Article 165 StGB. Article 1.6 was added in 2003 making terrorism financing a predicate offense for money laundering. In December 2008, the Liechtenstein Parliament passed a new legislative package which includes a comprehensive revision of the Due Diligence Act (DDA) as well as selected amendments to the Criminal Code. These changes also implement the Third European Union (EU) Money Laundering Directive, as well as the EU Directive regarding "politically exposed persons" (PEPs). On December 1, 2009, Liechtenstein adopted amendments to the Criminal Code to include document fraud, environmental crimes and market manipulation as predicate offenses for money laundering.

Criminalizes terrorist financing: Yes

In addition to making terrorist financing a predicate offense for money laundering, Liechtenstein created a new Sanctions Act that improves the legal basis for enhanced cooperation with international organizations

and foreign countries in the implementation of sanctions. For this purpose, on March 1, 2009, the Law on the Enforcement of International Sanctions (new Sanctions Act) was passed. The law implements new articles of the Criminal Code to punish financial supporters of a terrorist group, list terrorist offenses, and address terrorist financing. The revised Article 278d explicitly criminalizes financing of individual terrorists in order to correct an identified deficiency. There have been no terrorist financing cases to date.

Know-your-customer rules: Yes

The DDA, as revised in December 2008, defines the scope, requirements, and supervision of customer due diligence procedures, and provides for enforcement and information sharing. The legal requirements are expanded and specified in the Government's Due Diligence Ordinance (DDO). The DDA and DDO were revised in March 2009. Know Your Customer requirements apply to banks, finance companies, e-money institutions, asset management companies, investment undertakings, and insurance undertakings, as well as to the Liechtenstein Postal Service AG, exchange offices, and branches or establishments of foreign financial institutions. The DDA prohibits banks and postal institutions from maintaining bearer-payable passbooks, accounts, and deposits.

Bank records retention: Yes

In accordance with the DDA and DDO, transaction-related records and receipts must be kept by persons subject to the DDA for at least ten years from the conclusion of the transaction or from their preparation.

Suspicious transaction reporting: Yes

Liechtenstein's FIU, the *Einheit fuer Finanzinformationen* (EFFI), receives, analyzes and disseminates suspicious transaction reports (STRs) relating to money laundering and terrorist financing. The STR requirement applies to banks, insurers, financial advisers, postal services, exchange offices, attorneys, financial regulators, casinos, and other entities. In 2008, the EFFI received 189 STRs. STRs mostly involved suspected fraud offenses (103), followed by money laundering (31). Three and a half percent of the beneficial owners were U.S. nationals. Information regarding the number of STRs received in 2009 is not yet available.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture: Yes

Liechtenstein has legislation to seize, freeze, and confiscate assets. Criminal seizure and confiscation of laundered assets are covered under article 20b Paragraph 2 of the Criminal Code (as amended).

The overall amount of funds frozen in compliance with UNSCR 1267 is currently 90,200 Swiss Francs.

Narcotics asset sharing authority: Yes

Article 253a of the Code of Criminal Procedure provides for the sharing of confiscated assets.

Cross-border currency transportation requirements: No

Cooperation with foreign governments:

No known impediments exist to cooperation.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues/comments:

Liechtenstein's crime rate is low with 1075 crimes recorded in 2007, of which 550 were economic crimes. The major criminal offenses recognized by authorities as predicate offenses for money laundering are fraud, criminal breach of trust, asset misappropriation, embezzlement, fraudulent bankruptcy, corruption and bribery. There have been only two prosecutions in Liechtenstein for autonomous money laundering and no convictions.

U.S.-related currency transactions:

No information provided.

Records exchange mechanism with U.S.:

The United States and Liechtenstein entered into a mutual legal assistance treaty (MLAT) in 2003. Both countries signed a Tax Information Exchange Agreement (TIEA) in December 2001. The U.S. Department of Justice has acknowledged Liechtenstein's cooperation in the Al-Taqwa Bank case and in other fraud and narcotics cases.

International agreements:

Liechtenstein is a party to various information exchange agreements with countries in addition to the United States. The EFFI is able to share information with other FIUs without the need of a memorandum of understanding (MOU). However, for those countries that do require such an agreement in order to share information, Liechtenstein is open to negotiating a MOU; Liechtenstein currently has 13 MOUs in place.

When the European Union-Schengen agreement, signed by Liechtenstein in 2008, actually enters into force the government will grant comprehensive legal assistance in cases of direct and indirect tax fraud. As a consequence of the Schengen System, Liechtenstein and Switzerland negotiated a new border treaty regarding the legal mandate of the Swiss Border Guard that has been provisionally applied since December 12, 2008. The new treaty allows the Liechtenstein Police to delegate to the Swiss Border Guards the authority to control cash couriers on Liechtenstein territory.

Liechtenstein is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - No

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

http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round3/MONEYVAL(2007)20Rep-LIE3-I_en.pdf

Recommendations:

While the Government of Liechtenstein has made progress in addressing the shortcomings in its anti-money laundering regime, more remains to be done. The GOL should prohibit the issuance and use of corporate bearer shares and establish the criminal liability of corporate entities. Liechtenstein also should expand its list of predicate offenses to ensure all appropriate crimes are addressed. The EFFI should have access to additional financial information related to STRs. Liechtenstein also should consider creating a national terrorist list, which would allow for the implementation of UNSCRs that do not include a list, such as UNSCR 1373. While Liechtenstein recognizes the rights of third parties and protects uninvolved parties in matters of confiscation, the government should distinguish between bona fide third parties and others. Liechtenstein should enact cross-border and large currency transaction reporting requirements. Finally, the GOL should become a party to the UN Convention against Corruption.

Luxembourg

Despite its standing as the second-smallest member of the European Union (EU), Luxembourg is one of the largest financial centers in the world. While Luxembourg is not a major hub for illicit narcotics

distribution, the size and sophistication of its financial sector create opportunities for money laundering, tax evasion, and other financial crimes.

Offshore Center: Yes

Luxembourg is an offshore financial center. Although there are a handful of domestic banks operating in the country, the majority of banks registered in Luxembourg are foreign subsidiaries of banks in Germany, Belgium, France, Italy, and Switzerland.

Free Trade Zone: No

Criminalizes narcotics money laundering: Yes

Money laundering is criminalized by Article 506 of the Penal Code and by Article 8-1 of the Law on the Sale of Medicinal Substances and the Fight against Drug Addiction.

Criminalizes other money laundering, including terrorism-related: Yes

The law of August 11, 1998 establishes a general money laundering offense linked to an extensive list of offenses, including narcotics trafficking. The provisions of this law are codified in article 506 of the Penal Code. This article has been amended on several occasions, most recently by the law of July 17, 2008 on the Fight against Money Laundering and the Financing of Terrorism which incorporates the requirements of the Third EU Money Laundering Directive. On November 10, 2009, the GOL adopted a law on payment services which applies to money laundering related to phone banking cases.

Criminalizes terrorist financing: Yes

The Law of August 12, 2003 on the suppression of terrorism and its financing criminalizes terrorist financing and inserts into the Penal Code a new chapter on terrorist financing (Articles 135-1 to 135-8). It should be noted that, Luxembourg's criminalization of terrorist financing is not complete in that the legal definition covers financing only if it is intended for commission of an act of terrorism, even if the funds have not actually been used for that purpose. The financing of individual terrorists or terrorist groups beyond the commission of terrorist acts is not criminalized. Also, the notion of terrorist group does not apply to acts committed by two persons.

Know-your-customer rules: Yes

The law imposes strict know your customer (KYC) requirements on obligated entities for all customers, including beneficial owners, trading in goods worth at least euro 15,000 (approximately $20,250). If the transaction or business relationship is remotely based, the law details measures required for customer identification. Entities must proactively monitor their customers for potential risk. The entities subject to KYC regulations include banks, pension funds, insurance brokers and providers, undertakings for collective investment (UCIs), management companies, external auditors, accountants, notaries, lawyers, casinos, gaming establishments, real estate agents, tax and economic advisors, dealers in high-value goods such as jewelry and vehicles, and domiciliary agents.

Bank records retention: Yes

Financial institutions are required to retain records for at least five years. Additional commercial rules require certain bank records to be kept for up to ten years.

Suspicious transaction reporting: Yes

Luxembourg's financial intelligence unit (FIU), *Cellule de Renseignement Financier*, receives and analyzes STRs from all obligated entities.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture:

Luxembourg law allows for criminal forfeitures. Narcotics-related proceeds are pooled in a special fund to invest in anti-drug abuse programs. Luxembourg can confiscate funds found to be the result of money laundering even if they are not the proceeds of a crime. The GOL can, on a case-by-case basis, freeze and seize assets, including assets belonging to legitimate businesses used for money laundering.

Narcotics asset sharing authority:

There is no specific co-ordination mechanism, fund, or procedure in place for sharing seized assets with other jurisdictions. Since its creation in 1992, the Central Office for Combating Drug Trafficking has been the government body in charge of narcotics asset sharing with foreign jurisdictions, including the United States. This Office is in charge of managing narcotics assets.

Cross-border currency transportation requirements: Yes

Travelers entering or leaving the EU and carrying any sum equal to or exceeding euro 10,000 (or its equivalent in other currencies or easily convertible assets) are required to make a declaration to the customs authorities. Luxembourg does not have declaration requirements for those crossing its borders to another EU country.

Cooperation with foreign governments (including refusals):

Luxembourg cooperates with, and provides assistance to foreign governments in their efforts to trace, freeze, seize and forfeit assets. However, in most cases, international cooperation is hampered due to Luxembourg's requirement for dual criminality as a condition for granting mutual legal assistance, as well as a minimum penalty threshold for responding favorably to requests. There were no U.S.-Luxembourg cooperation initiatives in 2009.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

The GOL actively disseminates to its financial institutions information concerning suspected individuals and entities on the UNSCR 1267 Sanctions Committee's consolidated list and the list of Specially Designated Global Terrorists designated by the United States pursuant to Executive Order 13224. Luxembourg's authorities can and do take action against groups targeted through both the UN and EU designation processes. However, Luxembourg does not have legal authority to independently designate terrorist groups or individuals.

U.S.-related currency transactions:

There are no significant U.S. currency transactions on Luxembourg territory.

Records exchange mechanism with U.S.:

The United States and Luxembourg entered into a mutual legal assistance treaty (MLAT) in 2001. On May 20, 2009, Luxembourg and the United States of America signed a Protocol amending the existing Convention between the Government of the United States of America and the Government of Luxembourg for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to taxes on Income and Capital. This Protocol provides for information exchange and allows the United States Government to be given banking information of U.S. Citizens with financial accounts in Luxembourg upon request, on a case by case basis.

International agreements:

Luxembourg is a party to various information exchange agreements with countries in addition to the United States. Authorities can share information or provide assistance to foreign jurisdictions in matters relating to money laundering or other financial crimes without need for a treaty.

Luxembourg is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

Luxembourg is a member of the Financial Action Task Force. It has not yet had a mutual evaluation.

Recommendations:

With regard to the criminalization of terrorist financing, significant shortcomings exist. The Government of Luxembourg (GOL) should take steps to adequately criminalize money laundering and terrorist financing in a manner consistent with relevant international Conventions in order to cover all conduct cited by those instruments. The scarce number of financial crime cases is of concern, particularly for a country that has such a large financial sector. The GOL should take action to delineate in legislation regulatory, financial intelligence, and prosecutorial AML/CFT activities among governmental entities. The situation is most acute regarding the lack of a distinct legal framework for the FIU whose staff, activities, and authorities are divided among at least four different ministries. The State Prosecutors in the FIU should be exempt from nonfinancial crime duties, and the FIU should increase the number of analytical staff to effectively analyze and disseminate the volume of STRs it receives. The GOL should pass legislation creating the authority for it to independently designate those who finance terrorism as it would be well served to have such authority. The GOL also should enact legislation to address the continued use of bearer shares. The GOL should continue its efforts to assist jurisdictions with nascent or immature AML/CFT regimes.

Macau

Macau, a Special Administrative Region (SAR) of the People's Republic of China (PRC), is not a significant regional financial center. Macau's financial system consists of banks and insurance companies that offer traditional products and services to the local population. However, Macau's gaming and tourist industries attract millions of visitors yearly, mostly from mainland China, and continue to stimulate an unprecedented and rapid economic expansion. Because of the large gaming sector patron flows from abroad, Macau could be used as a hub to launder and remit criminal proceeds. To date, there is no evidence indicating Macau's financial institutions engage in currency transactions involving international narcotics trafficking proceeds. Money laundering in Macau does not appear to be related to proceeds from illegal narcotics, psychotropic substances, and chemical precursors. The primary sources of criminal proceeds in Macau are financial fraud and illegal gambling. Criminal networks spanning across Macau's border with mainland China account for much of the criminal activity.

Offshore Center: Yes

Offshore finance businesses, including credit institutions, insurers, underwriters, and offshore trust management companies, are regulated and supervised by the Monetary Authority. Profits derived from offshore activities are fully exempted from all forms of taxes.

Free Trade Zone: No

Macau is a free port without free trade zones.

Criminalizes narcotics money laundering: Yes

Decree Law No. 17/2009 criminalizes the illicit traffic in narcotic drugs and psychotropic substances.

Criminalizes other money laundering, including terrorism-related: Yes

Law No. 2/2006 (Prevention and Repression of Crime of Money Laundering) and Law No. 3/2006 (Prevention and Repression of Crimes of Terrorism) were both adopted to strengthen Macau's anti-money

laundering/counter-terrorist financing (AML/CFT) framework. Macau's laws apply to all serious crimes including terrorism and terrorist financing. Macau

Criminalizes terrorist financing: Yes

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

In April 2006, Macau adopted Law No. 3/2006 for the "Prevention and Repression of Terrorist Crimes." Article 7 of Law No. 3/2006 defines and criminalizes terrorist financing. Terrorism and terrorist financing are predicate offenses of money laundering.

Know-your-customer rules: Yes

The Financial System Act and Administrative Regulation No. 7/2006 provide a legal basis for identification of customers of credit and financial institutions. Additionally, the "Guidelines for Financial Institutions" details when financial institutions should exercise customer due diligence. Macau's AML/CFT controls apply to non-bank financial institutions and designated nonfinancial businesses and professions, such as casinos, gaming intermediaries, remittance agents and money changers (RAMCs), cash couriers, trust and company service providers, realty services, pawn shops, traders in goods of high unit value (e.g., jewels, precious metals, vehicles, etc.), notaries, registrars, commercial offshore service institutions, lawyers, auditors, accountants, and tax consultants.

Banks and other financial institutions are required to know and record the identity of customers engaging in significant transactions. In July 2009, Macau's Monetary Authority strengthened its AML/CFT Guidelines for RAMCs, and for banks and other financial institutions (excluding the insurance sector), including identification verification procedures for personal and corporate customers. These revised guidelines also enhance customer due diligence (CDD) measures for dealing with trust, nominee and fiduciary accounts or client accounts opened by professional intermediaries; non-face-to-face customers; politically exposed persons (PEPs); fund transfers; and correspondent banking.

Bank records retention: Yes

Financial institutions, including credit institutions and RAMCs, must record transactions exceeding $2,500 (MOP 20,000) and cross-border wire transfers/remittances over $1,000 (MOP 8,000). Financial institutions and RAMCs must retain records for a minimum of five years from the date of transaction. Financial institutions must also maintain customer account files, including identification data and business correspondence, for at least five years after termination of a business relationship.

Suspicious transaction reporting: Yes

The legal requirements that obligate reporting institutions to identify, record, and report STRs are embedded in Law No. 2/2006; Law No. 3/2006; and Administrative Regulation No. 7/2006. Additionally, Section 5 of "The Guideline on large cash transactions" issued by the Monetary Authority of Macau requires financial institutions to establish monitoring systems for high-risk cash transactions (those equal to or exceeding MOP/HKD 250,000 (approximately $31,250) or equivalent). In 2009, Macau's financial intelligence unit (FIU) received 1,156 STRs. Of these, the FIU submitted 20 referrals to law enforcement for additional action.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture:

The seizure of criminal proceeds is provided for in Articles 163 to 171 of the Criminal Procedure Code, while the forfeiture of criminal proceeds is provided for in Article 101 to 104 of the Criminal Code. Decree Law No. 17/2009, Article 29 (Prohibition of production, trafficking and consumption of narcotic drugs and psychotropic substances) replaces Decree Law No. 5/91/Mand specifically provides for the forfeiture of assets related to narcotics trafficking or production. In 2009, Macau seized approximately

$736,000 in money laundering-related assets; in 2008, Macau seized approximately $8.7 million in money laundering-related assets and approximately $15,300 in narcotics-related assets, all for crimes committed in 2007.

Narcotics asset sharing authority: Yes

Law No. 6/2006 establishes Macau's legal cooperation regime in criminal matters. Article 29 outlines the possibility for the sharing of seized assets given an agreement with other governments on a case-by-case basis.

Cross-border currency transportation requirements: No

Currently, Macau has neither a declaration system nor a disclosure system in place.

Cooperation with foreign governments (including refusals): Yes

Currently Macau lacks legal procedures to facilitate the freezing of assets. As a result, Macau is unable to assist foreign jurisdictions in matters pertaining to the freezing of assets. Macau is able to request and offer mutual legal assistance in criminal matters even if no bilateral agreement exists between the Macau SAR and the requesting jurisdiction based on the principle of reciprocity. The Macau Government has not refused to cooperate with the USG, or with any other governments, to the best of our knowledge.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

In August 2006, Macau's Chief Executive established Macau's FIU as a three-year, non-permanent government department under Macau's Secretary for Economy and Finance. This method of establishment was employed to expedite the setup of the FIU given that the legislative process amounts to years of negotiation. On July 14, 2009, Macau's Chief Executive extended the FIU's term until August 7, 2012. The international community is of the opinion that the GIF is viewed by the Macau SAR Government as an essential component of the long-term infrastructure of the Government.

Although Macau's criminal legal framework does not contain references to a freezing mechanism, the Monetary Authority's AML/CFT Guidelines obligate financial institutions to identify and freeze suspect bank accounts or transactions. Despite these due diligence procedures, Macau cannot provide mutual legal assistance on AML/CFT under existing legislation.

Macau publishes the list of individuals and entities designated by the UNSCR 1267 Committee in Macau's Official Gazette. Additionally, the Monetary Authority circulates the list to all financial institutions operating in Macau. As of November 2009, Macau had not received evidence which led it to identify, freeze, seize, and/or forfeit terrorist-related assets.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

Macau has no formal law enforcement cooperation agreements with the United States, though informal cooperation between the two routinely takes place. The FIU became a member of the Egmont Group in May 2009, which provides a platform for FinCEN and Macau's FIU to exchange financial intelligence.

International agreements:

Macau currently has mutual legal assistance agreements (MLAA) with Portugal and East Timor, and is negotiating MLAA with Cape Verde, Brazil, and Mongolia. Authorities can *s*hare information or provide assistance to foreign jurisdictions in matters relating to money laundering or other financial crimes without need for a treaty. The FIU has memoranda of understanding (MOUs) with the FIUs in Portugal, mainland China, the Hong Kong SAR, Korea, Indonesia, Japan and The Philippines.

In the financial sector, Macau's Monetary Authority has signed several MOUs for cross-border supervision and information sharing with regulatory authorities in China, the Hong Kong SAR, Portugal Cape Verde, Mozambique, Angola, Brazil, Australia, and São Tomé and Príncipe.

Macau is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes*
- the UN Convention against Transnational Organized Crime - Yes*
- the 1988 UN Drug Convention - Yes*
- the UN Convention against Corruption - Yes*

*In ratifying the above Conventions, China in each case specified that the treaty would apply to the Macau SAR. The Conventions are implemented through local ordinance.

Macau is a member of the Financial Action Task Force-style regional body Asia/Pacific Group on Money Laundering (APG). Its most recent mutual evaluation can be found here: http://www.apgml.org/documents/docs/17/Macao%20ME2%20-%20FINAL.pdf

Recommendations:

Macau has made considerable efforts to develop an AML/CFT framework that meets international standards. However, the Macau Government still needs to make further improvements. It should enhance its ability to implement and enforce existing laws and regulations. Specifically, it should ensure that regulations, structures, and training are adequate to prevent money laundering in the gaming industry, including appropriate oversight of VIP rooms and junket operators. Macau should continue raising AML/CFT public awareness and strengthen interagency coordination and training. It should institutionalize its FIU by making it a permanent body, dedicate additional manpower resources to AML/CFT investigations, enforcement, and cross-border interdiction, and establish a cross-border bulk currency movement detection and declaration system. Additionally, Macau should enhance its ability to support international efforts pertaining to the freezing and seizing of illicit funds by developing its legal framework to facilitate the freezing and seizure of assets.

Mexico

Mexico is a major drug-producing and drug-transit country and is also one of the major conduits for proceeds from illegal drug sales leaving the United States. Proceeds from the illicit drug trade are the principal source of funds laundered through the Mexican financial and commercial systems. Other major sources of illegal proceeds being laundered include corruption, kidnapping, trafficking in firearms and persons, and other crimes. The smuggling of bulk shipments of U.S. currency into Mexico and the repatriation of the cash into the United States via couriers, armored vehicles, and wire transfers remain favored methods for laundering drug proceeds. In addition, criminal organizations have established networks with criminal groups based in other countries to facilitate and develop new methods to transport, transfer, and launder illicit funds. Estimates range from $8 billion to $25 billion being repatriated to Mexico from the U.S. annually by drug trafficking organizations.

Offshore Center: No

Free Trade Zone: No

Criminalizes narcotics money laundering: Yes

Article 400 bis of the Federal Penal Code criminalizes money laundering related to any serious crime.

Criminalizes other money laundering, including terrorism-related: Yes

Mexico's all-crimes approach to money laundering criminalizes the laundering of the proceeds of any intentional criminal act or omission, regardless of whether or not that act or omission carries a prison term.

Criminalizes terrorist financing: Yes

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

On June 29, 2007, Mexico criminalized terrorist financing under the Federal Penal Procedures Code. Article 139 criminalizes domestic terrorist financing and Article 148 bis criminalizes international terrorist financing.

Know-your-customer rules: Yes

Under the Law of Credit Institutions, Mexican financial institutions, including banks and other financial institutions (including mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring funds, *casas de cambio*, and *centros cambiarios*) must follow know-your-customer rules. Regulations require enhanced due diligence for higher-risk customers including politically exposed persons.

Changes to the General Law of Credit Auxiliary Organizations and Activities to harmonize requirements, rules and standards to detect money laundering operations between larger banks and other smaller financial institutions were issued in the Official Gazette on September 25, 2009. The reform also reduces the threshold to identify a user of cash operations, travelers' checks or prepaid cards from $3,000 to $500. For operations larger than $3,000, the reform will require foreign exchange houses, centros cambiarios, and money transmitters to create a complete file of the user.

Bank records retention: Yes

Mexican law obligates banks to maintain business transaction records for at least ten years.

Suspicious transaction reporting: Yes

All Mexican Financial Institutions are required to report actual and attempted suspicious transactions to the Mexican FIU. In 2009, the FIU received 49,908 STRs.

Large currency transaction reporting:

In addition to banks, a 2005 provision of the tax law requires real estate brokerages, attorney, notaries, accountants, and dealers in precious metals and stones to report all transactions exceeding $10,000 (except for centros cambiarios, which are subject to a $3,000 threshold). In 2006, nonprofit organizations were made subject to reporting requirements for donations greater than $10,000.

Narcotics asset seizure and forfeiture: Yes

The forfeiture legislation approved by the Mexican Congress in 2009 allows seizing and forfeiting of assets used by organized criminals in executing drug-trafficking, money laundering, kidnapping, car robbery, embezzlement, and trafficking of persons. The legislation now permits specialized judges to authorize an asset forfeiture procedure independently of the criminal process being followed against an alleged criminal, and before a final ruling or conviction.

The list of individuals and entities included in the UN 1267 Sanction Committee's consolidated list is distributed to government agencies and to financial institutions.

Narcotics asset sharing authority: No

Cross-border currency transportation requirements: Yes

All individuals entering or departing Mexico with more than $10,000 in currency or monetary instruments must file a report with Customs. Customs authorities send these reports to the financial intelligence unit (FIU). As of November 2009, bulk cash seizures for the year amount to $70 million nationwide.

Cooperation with foreign governments (including refusals): Yes

There are no known impediments to international cooperation.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Money remitters are not subject to Mexico's wire transfer regulations.

From 2006 through 2009, authorities have obtained 90 convictions for the offense. In December 2009, Mexican authorities arrested 11 suspected money launderers during raids on 17 finance companies in the northern cities of Culiacan and Tijuana. According to authorities, the money laundering ring operated through a series of companies, some of which posed as authorized financial institutions while others were simply shell companies.

The lack of personnel—including more field investigators, prosecutors, and auditors- monetary resources, a comprehensive and modern database, technological equipment, as well as the vulnerability of its facilities undermine prosecution efforts.

U.S.-related currency transactions:

The United States and Mexico are neighbors and major trading partners. Proceeds from the illicit drug trade are the principal source of funds laundered through the Mexican financial and commercial system. Large amounts of U.S. currency derived through the drug trade is transported, transferred, and laundered into the Mexican financial system.

Records exchange mechanism with U.S.:

In 1991 Mexico signed and ratified a Mutual Legal Assistance Treaty with the United States. The U.S. and Mexican FIU routinely share information through the Egmont system. Other bilateral treaties include: Financial Information Exchange Agreement and the memorandum of understanding (MOU) for the exchange of information on the cross-border movement of currency and monetary instruments. The GOM has responded positively to USG efforts to identify and block terrorist-related funds.

International agreements:

The Mexican government has great working relations with many governments including the United States. Mexico is active in many international groups including the G20 and the Egmont Group.

Mexico is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

Mexico is a member of the Financial Action Task Force (FATF) and the FATF-style regional body GAFISUD. Mexico also participates in another FATF-style regional body, the Caribbean Financial Action Task Force (CFATF), as a cooperating and supporting nation. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/31/45/41970081.pdf

Recommendations:

Mexico should amend its terrorist financing legislation to fully comport with the UN Convention for the Suppression of the Financing of Terrorism; and enact legislation and procedures to freeze terrorist assets

of those designated by the UN al-Qaida and Taliban Sanctions Committee. If it has not already done so, the GOM should amend its legislation to ensure that legal persons can be held criminally liable for money laundering and terrorist financing. To create a more effective regime, Mexico should fully implement and improve its mechanisms for asset forfeiture, control the bulk smuggling of currency across its borders, monitor remittance systems for possible exploitation, improve the regulation and supervision of money transmitters, unlicensed currency exchange centers, *centros de cambiarios* and gambling centers, and extend AML/CFT requirements to designated nonfinancial businesses and professions. Additionally, the capacity of judges and prosecutors should be improved so they are able to successfully prosecute and convict money launderers and terrorist financiers.

Netherlands

The Netherlands is a major financial center and consequently an attractive venue for laundering funds generated from illicit activities. These activities are often related to the sale of cocaine, cannabis, or synthetic and designer drugs (such as ecstasy). Financial fraud is believed to generate a considerable portion of domestic money laundering, and there is evidence of trade-based money laundering. There are no indications of syndicate-type structures in organized crime or money laundering, and there is virtually no black market for smuggled goods in the Netherlands. Although under the Schengen Accord there are no formal controls on national borders within the European Union (EU), the Dutch authorities run special operations in the border areas with Germany and Belgium to keep smuggling to a minimum.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

The Netherlands has an "all offenses" regime for predicate offenses of money laundering that includes narcotics money laundering.

Criminalizes other money laundering, including terrorism-related: Yes

In 2008, the Netherlands amended its original anti-money laundering (AML) legislation and approved the new Prevention of Money Laundering and Financing of Terrorism Act (WWFT). The WWFT implements the Third EU money laundering directive into national law and combines existing AML legislation into one single act. Any terrorist crime automatically qualifies as a predicate offense under the Netherlands "all offenses" regime for predicate offenses of money laundering.

Criminalizes terrorist financing: Yes

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

In August 2004, the Act on Terrorist Crimes became effective. The Act makes conspiracy to commit a terrorist act a criminal offense. Involvement in financial transactions with suspected terrorists and terrorist organizations listed on the UN 1267 Sanctions Committee's consolidated list or designated by the EU is also a criminal offense. The 2004 Act on Terrorist Offenses introduces Article 140A of the Criminal Code, which criminalizes participation in a terrorist organization, and defines participation as membership or providing provision of monetary or other material support.

Know-your-customer rules: Yes

The WFFT incorporates the previous separate acts on identification and reporting and institutes a more risk-based approach to customer identification. It also establishes the requirement for all obligated entities to verify the identity of a transaction's ultimate beneficial owner as well as politically exposed persons. Banks, exchange offices, casinos, money service businesses, lawyers, notaries, and tax specialists are all covered under know your customer regulations.

Bank records retention: Yes

Financial institutions are required by law to maintain records necessary to reconstruct financial transactions for five years after termination of the relationship.

Suspicious transaction reporting: Yes

The Netherlands has established an "unusual transaction" reporting system. Banks, bureaux de change, casinos, financing companies, commercial dealers of high-value goods, notaries, lawyers, real estate agents/intermediaries, accountants, business economic consultants, independent legal advisers, tax advisors, trust companies, other providers of trust-related services, life insurance companies, securities firms, stock brokers, and credit card companies are required to file unusual transaction reports (UTRs) with the Netherlands' financial intelligence unit (FIU) on any transaction that appears unusual (applying a broader standard than "suspicious") or when there is reason to believe that a transaction is connected with money laundering or terrorist financing. The FIU reviews UTRs and forwards them to law enforcement for criminal investigation; once the FIU forwards the report, the report is then classified as a suspicious transaction (STR). In 2008, the FIU received 388,842 UTRs and forwarded 54,605 STRs, totaling approximately 0.8 billion Euros (approximately $1,143,000,000).

Large currency transaction reporting: Yes

Banks, bureaux de change, casinos, financing companies, commercial dealers of high-value goods, notaries, lawyers, real estate agents/intermediaries, accountants, business economic consultants, independent legal advisers, tax advisors, trust companies, other providers of trust-related services, life insurance companies, securities firms, stock brokers, and credit card companies in the Netherlands are required to report cash transactions over certain thresholds (varying from 2,000 to 25,000 Euros or approximately $2,900 to $36,000).

Narcotics asset seizure and forfeiture: Yes

The Asset Seizure and Confiscation Act, as amended in 2003, enables authorities to freeze, seize and confiscate assets that are illicitly obtained or otherwise connected to criminal acts. All law enforcement investigations into serious crime may integrate asset seizure. Authorities may seize any tangible assets, such as real estate, that were purchased directly with proceeds tracked to illegal activities. Assets can be seized as a value-based confiscation. Legislation provides for the seizure of additional assets controlled by a drug-trafficker. Proceeds from narcotics asset seizures and forfeitures are deposited in the general fund of the Ministry of Finance. Statistics provided by the Office of the Public Prosecutor show the assets seized in 2008 amounted to 23.5 million Euros (approximately $33,570,000).

Increasing seizures of criminal assets is a priority. In 2009, the Dutch Minister of Justice proposed a new law in parliament to further enhance the GON's ability to confiscate and recover assets. The draft legislation includes a key provision transferring the burden of proof to the defendant to demonstrate assets were acquired legitimately.

UNSCR 1267/1390 is implemented through Council Regulation 881/02. In the Netherlands, Sanctions Law 1977 also addresses this requirement parallel to the regulation.

Narcotics asset sharing authority: Yes

The United States and the Netherlands have had an asset-sharing agreement in place since 1994.

Cross-border currency transportation requirements: Yes

In June 2007, the Netherlands implemented EU regulation 1889/2005 which requires natural persons to declare to customs authorities when they enter or depart the EU carrying 10,000 Euros (approximately $14,300) or more in cash. However, the EU has no similar declaration obligation when transiting within the EU. The Dutch Tax and Customs Administration makes all these declarations available to the FIU.

In 2008, the financial intelligence unit received 1,807 reported declarations totaling almost 78 million Euros, and declared 39 of these reports suspicious.

Cooperation with foreign governments (including refusals):

No legal issues hamper the government's ability to assist foreign governments in mutual legal assistance requests when a bilateral treaty is in place.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

In practice, Dutch public prosecutors move to seize assets in only a small proportion of money laundering cases. This is due to a shortage of trained financial investigators and a compartmentalized approach where the financial analysts and operational drug investigation teams often do not act in unison.

In June 2008, the Netherlands Court of Audit published its investigation of the Government of the Netherland's policy for combating money laundering and terrorist financing. The report criticizes the Ministries of Interior, Finance, and Justice for: lack of information sharing among them; too little use of asset seizure powers; limited financial crime expertise and capacity within law enforcement; and light supervision of notaries, lawyers, and accountants. The ministries agreed in large part with these conclusions and are taking steps to address them.

In 2009, specially trained dogs found four million Euros (approximately $5,750,000) in passenger luggage at Schiphol airport. Dutch authorities arrested two people at Schiphol airport in February 2009 with one million Euros (approximately $1,440,000) concealed and another two people in September 2009 attempting to smuggle 500,000 Euros (approximately $720,000) into the Netherlands.

In 2008, the Public Prosecution Office served a summons to suspects of money laundering offenses in 1041 cases. The Netherlands Court of Audit reported in June 2008 that 63 percent of money laundering cases referred to the Office of Public Prosecution resulted in a conviction.

In a notable conviction, a Rotterdam court sentenced seven men in April 2009 for cocaine trafficking and laundering at least 22 million Euros (approximately $31,650,000). Authorities confiscated twenty properties as well as $3.6 million and 900,000 Euros (approximately $1,295,000) in cash. In August 2009, the Public Prosecutor's office in Maastricht confiscated 134 properties and pieces of land from a real estate dealer suspected of money laundering, cannabis cultivation and tax fraud. This is reportedly the largest judicial seizure of property ever in the Netherlands.

U.S.-related currency transactions:

Several Dutch financial institutions engage in international business transactions involving large amounts of United States currency. However, there are no indications that significant amounts of U.S. dollar transactions conducted by financial institutions in the Netherlands stem from illicit activity.

Records exchange mechanism with U.S.:

The United States enjoys strong cooperation with the Netherlands in fighting international crime, including money laundering. A mutual legal assistance treaty (MLAT) between the Netherlands and the United States has been in force since 1983. The Netherlands also has ratified the bilateral implementing instruments for the U.S.-EU MLAT and extradition treaties. The U.S.-EU MLAT is expected to come into force in February 2010. One provision included in the U.S.-EU legal assistance agreement will facilitate the exchange of information on bank accounts. The Dutch Ministry of Justice and the National Police work together with U.S. law enforcement authorities in the Netherlands on operational money laundering initiatives. Through a memorandum of understanding in place since 2004, the FIU shares information regularly with the Financial Crimes Enforcement Network, the U.S. FIU.

International agreements:

The Netherlands has a fairly comprehensive set of bilateral and multilateral treaties that provide for mutual legal assistance and extradition in money laundering and terrorist financing matters. Mutual legal assistance is available for both negligent and intentional conduct, and when the investigation or proceeding relates to a predicate offense and money laundering, and to money laundering alone. Without a treaty, assistance is limited to specified measures not requiring coercion.

The Netherlands is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

The Netherlands is a member of the Financial Action Task Force (FATF) and the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. In lieu of an evaluation by the FATF, the International Monetary Fund (IMF) prepared a Report on the Observance of Standards and Codes. The report can be found here: http://www.imf.org/external/pubs/ft/scr/2004/cr04312.pdf

Recommendations:

The Government of the Netherlands (GON) should intensify its focus on confiscation of criminal assets. Although resources dedicated to investigating financial crimes have increased in recent years, the GON should continue its drive to increase the expertise within its enforcement authorities to handle more serious and complex cases. For example, the GON should follow through on its commitment to add more special investigators for financial crimes. The GON should devote more resources toward getting better data and a better understanding of alternative remittance systems in the Netherlands, and channel more investigative resources toward tracing these systems. The Ministries of Interior, Finance, and Justice should take steps to improve information sharing, increase the use of asset seizure powers, and enhance supervision of notaries, lawyers, and accountants.

Nigeria

Nigeria remains a major drug trans-shipment point and a significant center for criminal financial activity. Individuals and criminal organizations have taken advantage of the country's location, porous borders, weak laws, corruption, lack of enforcement, and poor socioeconomic conditions to launder the proceeds of crime. The proceeds of illicit drugs in Nigeria derive largely from foreign criminal activity rather than domestic activities. One of the schemes used by drug traffickers to repatriate and launder their proceeds is through the importation of various commodities, predominantly luxury cars and other items such as textiles, computers, and mobile telephone units. Nigerian financial institutions are also reportedly used for currency transactions involving US dollars derived from illicit drugs.

Proceeds from drug trafficking, illegal oil bunkering, bribery and embezzlement, contraband smuggling, theft, and financial crimes, such as bank fraud, real estate fraud, and identity theft constitute major sources of illicit proceeds in Nigeria. Advance fee fraud, also known as "419" fraud in reference to the fraud section in Nigeria's criminal code, is a lucrative financial crime that generates hundreds of millions of illicit dollars annually. Money laundering in Nigeria takes many forms, including: investment in real estate; wire transfers to offshore banks; political party financing; deposits in foreign bank accounts; use of professional services, such as lawyers, accountants, and investment advisers; and cash smuggling. Nigerian criminal enterprises are adept at devising ways to subvert international and domestic law enforcement efforts and evade detection.

Offshore Center: Yes

The Central Bank of Nigeria (CBN) licenses off-shore banks; however, it performs background checks on all applicants. Two off-shore banks operate in Nigeria—Citibank Nigeria Limited and Standard Chartered Bank Limited. The same regulatory rules apply to both domestic banks and off-shore banks. However, additional regulation is applied to off-shore banks.

Free Trade Zone: Yes

Free Trade Zones (FTZs) exist in Nigeria. Eleven are operational and mostly belong to the Federal Government. The FTZs are licensed by the Nigeria Export Processing Zones Authority (NEPZA), responsible for the regulation, operation and monitoring of FTZs' activities in Nigeria. Standardized procedures exist for FTZs, including a registration process involving the identification of companies and individuals who want to use the zones. Nigeria has not reported any cases of misuse of the FTZs for money laundering or terrorism financing.

Criminalizes narcotics money laundering: Yes

The Money Laundering (Prohibition) Act (MLPA), 2004 criminalizes narcotics-related money laundering.

Criminalizes other money laundering, including terrorism-related: Partially

The MLPA criminalizes money laundering related to the proceeds of all financial crimes. However, terrorism and terrorist financing are not specifically identified as predicate offenses. Money laundering controls apply to banks and other financial institutions, including stock brokerages and currency exchange houses, as well as designated nonfinancial businesses and professions (DNFBPs). These institutions include dealers in jewelry, cars and luxury goods, chartered accountants, audit firms, tax consultants, clearing and settlement companies, legal practitioners, hotels, casinos, supermarkets and other businesses that the Federal Ministry of Commerce (FMC) designates as a money laundering risk.

Criminalizes terrorist financing: No

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

The Economic and Financial Crimes Commission (EFCC) Act does not provide a comprehensive framework for dealing with the tripartite offenses of terrorism, namely, terrorist financing, terrorists act and terrorist organizations. While provision or collection of funds to be used to carry out a terrorist act is covered, provision or collection of funds to be used by a terrorist organization or individual terrorist is not. The Act does not criminalize terrorist financing, nor does it reference terrorist financing as a predicate offense for money laundering. A comprehensive bill for the prevention of terrorism that includes a more expansive provision related to terrorist financing, is currently pending before the National Assembly.

Know-your-customer rules: Yes

Financial institutions subject to KYC regulations include banks, community banks, mortgage institutions, development finance banks, financial service companies, bureaus de change; the insurance, and securities and investment industry; as well as any individual body, association or group of persons, whether corporate or incorporated, which carries on the business of a discount house, finance company, money brokerage, and whose principal object include factoring, project financing, equipment leasing, debt administration, fund management, private ledger services, invest management, export finance, pension fund administration and project consultancy.

The MLPA requires financial institutions to identify individuals and legal entities before opening an account or establishing any other business relationship with the person and specifies the types of documentation and information to be obtained.

Bank records retention: Yes

The MLPA provides the legal framework requiring financial institutions and designated non-financial institutions to preserve records of transactions for a period of at least five years. Details of the records to be kept include origin of funds, destination of funds, purpose of the transaction, and the identity of the beneficiary.

Suspicious transaction reporting: Yes

The MLPA requires suspicious transaction reports (STRs) to be submitted by financial institutions and DNFPs, and gives the Nigerian Financial Intelligence Unit (NFIU) the authority to receive them. An August 2006 Central Bank of Nigeria circular requires all financial institutions to forward STRs for potential terrorist financing transactions. Between January and September 2009, the NFIU received a total of 826 STRs, 55 of which were developed and disseminated to relevant authorities for investigation.

Large currency transaction reporting:

Only transactions involving the transfer to or from a foreign country of funds or securities exceeding $10,000 in value are reportable to the NFIU. All financial institutions and designated nonfinancial institutions are required by law to furnish the NFIU with details of these financial transactions.

Narcotics asset seizure and forfeiture:

Nigeria has established a legal framework and regulatory systems for identifying, tracing, freezing, seizing, and forfeiting proceeds of crime. The National Drug Law Enforcement Agency Act (NDLEA Act) includes provisions for the forfeiture of a variety of assets acquired with the proceeds of illicit drugs and enumerates the powers of the NDLEA to seize, freeze and confiscate proceeds of illicit drugs. Furthermore, under the MLPA, assets connected to money laundering offenses are also subject to forfeiture. These provisions cover both foreign and domestic drug proceeds and instrumentalities, as well as the conveyance of real properties used for drug cultivation, storage, and trafficking. All means of conveyance, including aircraft, vehicles, or vessels used or intended to be used to transport or facilitate the transportation, sale, receipt, possession or concealment of economic or financial crimes, are likewise subject to forfeiture. The MLPA authorizes forfeiture of assets of corporate bodies involved in money laundering activities. NDLEA can immediately freeze assets but has a difficult time in initially tracking them down.

Forfeiture is possible only as part of a criminal prosecution. There is no comparable law providing for civil forfeiture. A non-conviction-based forfeiture statute is now pending in the National Assembly. From January to December 2009, NDLEA reported it seized a total $1,631,789 in currency and real estate.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: Yes

Nigeria has adopted a declaration system for all persons entering or leaving Nigeria in possession of currency and bearer negotiable instruments in excess of $5,000 or its equivalent.

Cooperation with foreign governments (including refusals):

No known impediments exist to cooperation.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Nigeria's failure to criminalize terrorist financing limits its ability to inhibit terrorism-related activity.

Corruption continues to be a significant problem. Despite its past success, in 2009, the EFCC faced significant challenges in fulfilling its mandate to fight financial crimes and money laundering. An

apparent lack of political will to enforce the laws and continuous delays within the justice sector has hindered the progress of many prosecutions and/or investigations. As a result of these challenges, the EFCC has not prosecuted any money laundering related case, nor secured any convictions in the past year.

Nigeria does not have an asset forfeiture fund. Consequently, seized assets remain in the custody of the seizing agency until they revert to the GON. Due to lack of proper accountability, forfeited assets are sometimes lost or stolen.

From January 1, 2009 to September 30, 2009, the NDLEA handled a total of 25 money laundering investigations resulting in 16 arrests. No drug-related convictions were obtained but there are 18 pending cases in the courts.

U.S.-related currency transactions:

Nigerian financial institutions are reportedly used for currency transactions involving US dollars derived from illicit drugs.

Records exchange mechanism with U.S.:

The United States and Nigeria entered into a mutual legal assistance treaty (MLAT) in 2003.

International agreements:

Nigeria is a party to various information exchange agreements with countries in addition to the United States; authorities can share information or provide assistance to foreign jurisdictions in matters relating to money laundering or other financial crimes without need for a treaty. Nigeria has signed memoranda of understanding with Russia, Iran, India, Pakistan and Uganda to facilitate cooperation in the fight against narcotics-trafficking and money laundering. Nigeria has also signed bilateral agreements for information exchange relating to money laundering with South Africa, the United Kingdom, and all Commonwealth and Economic Community of West African States (ECOWAS) countries.

Nigeria is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

Nigeria is a member of the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA). Its most recent mutual evaluation can be found here: http://www.giaba.org/

Recommendations:

The Government of Nigeria (GON) should work to ensure that its anti-money laundering legislation complies with international standards and covers all of the recommended predicate offenses, including terrorist financing. The GON should ensure the autonomy and independence of the EFCC and NFIU from political pressure. The GON should also strengthen its supervision of designated nonfinancial businesses and professions. Moreover, the GON should ensure that the NPF has the capacity to function as an investigative partner in financial crimes cases, as well as work to eradicate any corruption that might exist within law enforcement bodies. Nigeria should re-invigorate its anti-corruption program and support the EFCC, as well as the ICPC, in their mandates to investigate and prosecute corrupt government officials and individuals. The National Assembly should adopt the proposed Special Courts Bill that will establish a special court with specific jurisdiction and trained judges to handle financial crimes. The National Assembly also should adopt the Non-Conviction Based Asset Forfeiture Bill and a comprehensive anti-terrorism bill that includes prohibitions on terrorist financing in line with international standards. Nigerian authorities should work toward full implementation of a regime capable of thwarting money laundering and terrorist financing.

Pakistan

Pakistan continues to suffer from financial crimes related to narcotics trafficking, terrorism, smuggling, tax evasion, corruption, counterfeit goods and fraud. Pakistan is a major drug-transit country. The abuse of the charitable sector, trade-based money laundering, hawala/hundi, and physical cross-border cash transfers are the common methods used to launder money and finance terrorism in Pakistan. Pakistan's real estate sector also is a popular destination for illicit funds, as many real estate transactions are poorly documented. Pakistani criminal networks play a central role in the transshipment of narcotics and smuggled goods from Afghanistan to international markets. Pakistan does not have firm control of its borders with Afghanistan, Iran and China, facilitating the flow of smuggled goods to the Federally Administered Tribal Areas (FATA) and Baluchistan. Some consumer goods transiting Pakistan duty-free under the Afghan Transit Trade Agreement are sold illegally in Pakistan. *Madrassas* (Islamic schools) have been used as training grounds for terrorists and for terrorist funding. The lack of control of *madrassas*, similar to the lack of control of Islamic charities, allows terrorist and jihadist organizations to receive financial support under the guise of support of Islamic education.

Money laundering and terrorist financing are often accomplished in Pakistan via the hundi/hawala alternative remittance system; most illicit funds are moved through these unlicensed operators. The State Bank of Pakistan (SBP) requires all hawaladars to register as authorized foreign exchange dealers and to meet minimum capital requirements. Despite the SBP's efforts, unlicensed hawaladars still operate illegally in parts of the country (particularly Peshawar and Karachi). Fraudulent invoicing is typical in hundi/hawala counter valuation schemes. However, legitimate remittances from Pakistani expatriates residing abroad now flow mostly through the formal banking sector.

Offshore Center: No

Free Trade Zone: Yes

Pakistan has established a number of Export Processing Zones (EPZs) in all four of the country's provinces. Although the Government of Pakistan lists a total of ten EPZs, only four are operational (Karachi, Risalpur, Sialkot, Saindak). No definitive evidence exists to link the use of EPZs to money laundering; however, claims of trade-based money laundering, in particular the use of invoice manipulation is commonly reported.

Criminalizes narcotics money laundering: Yes

Pakistani law has in force two offenses of money laundering related to narcotics, including the general offense of money laundering as stipulated in section 3 of the Anti-Money Laundering Act (AMLA) of 2009, and an explicit criminalization of narcotics money laundering in section 12 of the Control of Narcotics Substances Act (CNSA) of 1997.

Criminalizes other money laundering, including terrorism-related: Yes

The AMLA criminalizes money laundering. Terrorist financing is included in the Schedule to AMLA, thus making it a predicate offense to money laundering. Additionally, section 11K of the Anti-Terrorism Act (ATA) of 1997 includes an autonomous offense of laundering terrorist related property.

Criminalizes terrorist financing: Yes

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

Pakistan has specifically criminalized various forms of terrorist financing under the ATA. Sections 11H-K provide that a person commits an offense if he is involved in fund raising, uses and possesses property, or is involved in a funding arrangement intending that such money or other property should be used, or has reasonable belief that they may be used, for the purpose of terrorism; however, it is unclear whether

criminalization extends to individual terrorists, un-proscribed terrorist organizations, or terrorist acts against foreign governments or populations.

Know-your-customer rules: Yes

Regulations require financial institutions to take all reasonable measures to determine the true identity of every prospective customer, and provide that the institutions establish specific procedures for verifying identities, ascertaining a customer's status and the source of earnings, and for monitoring accounts on a regular basis.

Bank records retention: Yes

SBP Regulation M-3 on Record Retention obligates banks and designated financial institutions (DFI) to maintain a record of transactions for a minimum period of five years, including the retention of records five years after the termination of a business relationship.

Suspicious transaction reporting: Yes

Section 7(1) of the AMLA requires every 'financial institution' to submit suspicious transaction reports (STRs) to the Financial Monitoring Unit (FMU), the financial intelligence unit (FIU) of Pakistan no later than seven days after forming a suspicion that the transaction: involves funds derived from illegal activities or is intended or conducted in order to hide or disguise proceeds of crime; is designed to evade reporting requirements; has no apparent lawful purpose; or, involves financing of terrorism. The volume of STRs actually filed is not available.

Large currency transaction reporting: Yes

Currency transaction reports (CTRs) are authorized by the AMLA; the SBP issued Circular Letter No. 39 of 2009 mandating the reporting of currency transactions in excess of 2.5 million rupees (approximately $30,000). CTRs are filed with the FMU.

Narcotics asset seizure and forfeiture:

There are specific powers for the seizing and forfeiture of assets related to narcotics under the CNSA. While trying an offense under the CNSA, the Special Court can order the freezing of assets related to the accused, his relatives and associates, if reasonable grounds of criminality are apparent. Section 37(2) of the CNSA empowers designated authorities to freeze assets and, within seven days, to notify the Court. Once assets are frozen and the accused is found guilty, the courts are empowered to forfeit assets to the federal government.

AMLA sections four, nine, and ten provide powers for the forfeiture of assets of any person convicted of money laundering. Section 9 provides for the power to freeze property related to money laundering. However, the ability to freeze and forfeit assets under the AMLA is untested and may prove challenging to enforce in the courts.

Narcotics asset sharing authority: Yes

Both the AMLA and the CNSA provide for the sharing of assets related to narcotics. CNSA section 40 also provides Pakistan the power to share assets with a foreign government following the conviction of a person in a foreign country. The offense must also be punishable under the CNSA.

Cross-border currency transportation requirements: Yes

Pakistan has a currency control regime that restricts the transportation of Pak Rupees and the outbound transportation of foreign currency. Pakistan does not place any restrictions or require declarations on inbound foreign currency. People leaving and entering Pakistan may not carry more than 3,000 rupees (approximately $35). Carrying currency in violation of this regulation is punishable by imprisonment or heavy fines. For foreign currency, anyone transporting more than $10,000 or the foreign currency equivalent out of Pakistan must obtain permission from the SBP before traveling. There are joint

counters at international airports staffed by the SBP and Customs to monitor the transportation of foreign currency.

Cooperation with foreign governments: Yes

There is no overarching mutual legal assistance regime in Pakistan, but there is offense-specific assistance under the AMLA (money laundering) and CNSA (narcotics). Section 26 of the AMLA allows for assistance with regard to money laundering investigations, as long as an agreement with the "contracting state" has been established. Analysis of these provisions suggests there are too many legal impediments for the AMLA to be an effective tool. Sections 56 and 59 of the CNSA allow for mutual legal assistance with regard to narcotics investigations. Unlike the AMLA, the CNSA does not require a prior agreement to be established and can be used to undertake searches, produce records, extradite, and freeze and confiscate proceeds related to narcotics offenses. Mutual legal assistance under the CNSA is subject to dual criminality.

U.S. or international sanctions or penalties: No

Pakistan is still included on the Financial Action Task Force's (FATF) list of countries posing significant anti-money laundering and terrorist financing risks. In February 2008, FATF issued a statement warning financial institutions to be aware that deficiencies in Pakistan's anti-money laundering/counter-terrorist financing (AML/CFT) system constitute money laundering and terrorist financing vulnerability in the international financial system. In October 2009, the FATF reaffirmed this statement.

Enforcement and implementation issues and comments:

Operational independence and autonomy of the FMU is an issue, especially with regard to the FMU's ability to utilize its budget and manage staffing needs. Moreover, there appear to be restrictive information sharing rules with foreign counterparts which do not meet the Egmont principles of information sharing or comply with international standards for non-judicial international cooperation.

Pakistan has the ability to freeze bank accounts and property held by terrorist individuals and entities. Pakistan has issued freezing orders for terrorists' funds and property in accordance with UNSCRs 1267 and 1373. The SBP circulates to its financial institutions the list of individuals and entities that have been included on the UN 1267 Sanctions Committee's consolidated list.

The ATA also allows the government to bar a fund, entity or individual on the grounds that it is involved with terrorism. This done, the government may order the freezing of its accounts. Section 11B of the ATA specifies that an organization is proscribed or listed if the GOP has reason to believe it is involved with terrorism. There have been some deficiencies concerning the timeliness and thoroughness of the asset freezing regime.

U.S.-related currency transactions:

U.S. currency is widely used in the underground economy.

Records exchange mechanism with U.S.:

Pakistani and U.S. law enforcement agencies cooperate on a case-by-case basis.

The FMU is not a member of the Egmont Group, nor does it have an MOU or exchange of letters with the Financial Crimes Enforcement Network (FinCEN), the FIU of the United States.

International agreements:

Pakistan is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism – Yes
- the UN Convention against Transnational Organized Crime – No

- the 1988 UN Drug Convention – Yes
- the UN Convention Against Corruption - Yes

Pakistan is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Pakistan's mutual evaluation report, prepared by the World Bank and the APG, can be found here: http://www.apgml.org/documents/docs/17/Pakistan%20MER%20-%20final%20version.pdf

Recommendations:

Although progress has been made, pervasive corruption and a lack of political will continue to be the two primary obstacles to an effective AML/CFT regime in Pakistan. Pakistan incorporated a multitude of recommendations in the new AMLA 2009; yet legislative shortcomings still persist and should be addressed accordingly. Pakistan's FMU needs to be strengthened and should be given operational autonomy rather than be subject to the supervision and control of the General Committee, which is comprised of political ministers. The FMU also needs a strong IT infrastructure to aid in the core functions of collection, analysis and dissemination. New legislation and regulations should include robust preventative measures for all financial and non-financial businesses and professions both within the formal financial sector and those currently missing from the formal sector. Suspicious and currency transaction reporting should be fully implemented. Pakistani law enforcement should not, however, become dependent on these reports to initiate investigations; rather, law enforcement authorities should be proactive in pursuing money laundering and terrorist financing in their field investigations. In light of the role private charities have played in terrorist financing, Pakistan must work quickly to conduct outreach, supervise, and monitor charitable organizations and activities, and close those charitable organizations that finance terrorism. Pakistan should implement and enforce cross-border currency reporting requirements and focus greater efforts on identifying and targeting illicit cash couriers. This work can be enhanced by sharing declaration reports with the FMU. Pakistan should also become a party to the UN Convention against Transnational Organized Crime.

Panama

Panama's economic and geographic proximity to drug-related activity from Colombia, Venezuela, and Mexico, as well as lack of enforcement by the Government of Panama (GOP), make Panama a natural location for laundering money derived from the sale in the United States and Europe of cocaine produced in Colombia. Panama's land border with Colombia consists of approximately 60 miles of unguarded, dense jungle. Sea and air law enforcement along Panama's borders has historically been ineffective. As part of a recent plan to build up to 11 naval stations on the Pacific and Atlantic coasts in order to better police drug trafficking routes, in December, 2009 Panama opened a naval operations station in the Pearl Archipelago that has long been a site for drug-trafficking activity.

The very factors that have contributed to Panama's economic growth and sophistication in the banking and commercial sectors - the large number of offshore banks and shell companies, the presence of the world's second-largest free trade zone, the spectacular growth in ports and maritime industries, and the use of the U.S. dollar as the official currency—also provide an effective infrastructure for significant money laundering activity. The funds generated from illegal activity may be laundered through a wide variety of methods, including trade in merchandise, the Panamanian banking system, casinos, pre-paid telephone cards, debit cards, insurance companies, and real estate and construction projects. Substantial bulk cash smuggling facilitates the money laundering.

Offshore Center: Yes

Panama is an offshore financial center that includes offshore banks and various forms of shell companies that have been used globally by a wide range of criminal groups to launder money. Panama, through its Bank Superintendent, licenses offshore banks, and through the Public Registry offshore corporations may be formed. The Banking Superintendent requires a list of a bank's shareholders as part of the licensing

process. Of the 90 commercial banks in Panama, 72 are specifically either non-Panamanian or are designed to service offshore clients. Business licenses may be obtained through a newly created online system. The onshore and offshore registration of corporations is also handled by the Public Registry. There is no requirement to disclose the beneficial owners of any corporation or trust. Bearer shares are permitted for corporations, and nominee directors and trustees are allowed by law. Approximately 39,294 new offshore corporations were registered in Panama from October 2008 to October 2009.

Free Trade Zones: Yes

The majority of money laundering activity in Panama is narcotics-related or the result of transshipment of smuggled, pirated, and counterfeit goods through Panama's major free trade zone, the Colon Free Zone (CFZ), the second largest free trade zone after Hong Kong. Panama, particularly in the CFZ, suffers from substantial transshipment of smuggled or pirated goods, including counterfeit apparel, pharmaceuticals, and pirated DVDs. From January to October of 2009, the CFZ imported and exported over $16 billion in goods. The CFZ currently has over 2,879 businesses and 20 bank branches, employs approximately 29,000 people, and continues to expand. The large volume of international business within the CFZ creates an environment amenable to many types of money laundering for many different purposes.

Criminalizes narcotics money laundering: Yes

Money laundering is a criminal offense under Panama's Penal Code.

Criminalizes other money laundering, including terrorism-related: Yes

Law 14 (Article 284) of May 17, 2007, amends the Penal Code to expand the predicate offenses for money laundering beyond narcotics-trafficking to include criminal fraud, arms trafficking, trafficking in humans, kidnapping, extortion, embezzlement, corruption of public officials, terrorism, and international theft or trafficking of motor vehicles. Additionally, Law No. 45 of June 4, 2003, establishes criminal penalties of up to ten years in prison and fines of up to $1 million for financial crimes that undermine public trust in the banking system, the financial services sector, or the stock market. The legislation criminalizes a wide range of activities related to financial intermediation, including illicit transfers of monies, accounting fraud, insider trading, and the submission of fraudulent data to supervisory authorities. Law No. 1 of 2004 also adds crimes against intellectual property as a predicate offense for money laundering. The National Assembly approved Law 68 of 2009 that increases the maximum sentence for committing multiple crimes from 35 to 50 years, and expressly applies to money laundering.

Criminalizes terrorist financing: Yes

Panama's Law 16 of 1982, Article 389, and Law 50 of 2003, Article 264, both criminalize the financing of terrorism as contemplated by UN Security Council Resolution 1373.

Know-your-customer rules: Yes

Under Panamanian law and regulations, financial institutions (banks, trust companies, money exchangers, credit unions, savings and loan associations, stock exchanges, brokerage firms, and investment administrators) must adhere to "know your customer" (KYC) practices for identification of customers, exercise of due diligence, and retention of transaction records.

Bank records retention: Yes

Panamanian law requires all financial institutions to maintain for five years records concerning their anti-money laundering procedures, including information regarding their customers and any information derived as part of the KYC regulations and cash or suspicious transaction reports relating to customer identification.

Suspicious transaction reporting: Yes

Financial institutions must report suspicious financial transactions to the financial intelligence unit (FIU), regardless of amount.

Large currency transaction reporting: Yes

Financial institutions, including casinos, CFZ businesses, pawnshops, the national lottery, real estate agencies and developers, and insurance and reinsurance companies must report currency transactions in excess of $10,000. Article 248 of 2000 requires indigenous alternative remittance systems, such as hawala operations, to adhere to the reporting requirement for cash transactions.

Narcotics asset seizure and forfeiture:

Panamanian Law 38 of August 10, 2007 provides for the tracing, freezing, and seizure of assets derived from criminal activity. Responsibility for tracing, seizing and freezing assets lies principally with the Drug Prosecutor's Office of the Attorney General's Office. Upon an arrest, assets are frozen and seized. In the event of a conviction, assets derived from money laundering activity related to narcotics trafficking are delivered to the National Commission for the Study and Prevention of Narcotics Related Crimes (CONAPRED) for administration and distribution among various GOP agencies. Seized perishable assets may be sold and the proceeds deposited in a custodial account with the National Bank. Panamanian law provides for criminal but not civil forfeiture.

Narcotics asset sharing: No

Panama has not enacted any law for sharing seized assets with other governments.

Cross-border currency transportation requirements: Yes

Under Panamanian customs regulations, any individual bringing cash in excess of $10,000 into Panama must declare such monies at the point of entry. If such monies are not declared, they are confiscated and are presumed to relate to money laundering.

Cooperation with foreign governments: Yes

No impediments exist.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Panama has comprehensive laws against money laundering and financial crimes, but lacks the investigative and judicial infrastructure to prosecute cases. Panama provides substantial cooperation with U.S. law enforcement agencies in combating drug trafficking and making drug seizures, but has not prosecuted a money laundering case in recent years. As long as money is properly declared, there appears to be little scrutiny by Panamanian customs. US law enforcement agencies have indications that possibly tens of millions of dollars are declared upon entry at Panama's Tocumen airport on a monthly basis and generally pass through customs without investigation.

The FIU is overworked and lacks adequate resources, institutional knowledge and the ability to enforce reporting requirements. The number of CTRs and STRs submitted to the FIU remains extremely low, despite the large number and value of cash transactions taking place in Panama. Between January and November of 2009, 368 reports were forwarded to the Attorney General's Office for further action.

Between January and November of 2009, the Financial Fraud Prosecutor's Office investigated 285 cases related to financial crimes. These included credit card fraud (214), bankruptcy (six), money laundering (nine), financial crimes (50), and other (six).

U.S.-related currency transactions:

The US dollar is legal tender in Panama.

Records exchange mechanism with U.S.:

Panama and the United States have a Mutual Legal Assistance Treaty that entered into force in 1995. The FIU has signed a memorandum of understanding (MOU) with the Financial Crimes Enforcement Network (FinCEN).

International agreements:

The FIU has signed more than 43 MOUs with FIUs from other countries. The FIU also has online access to financial information with foreign analogs through the Egmont Secure Web.

Panama is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

Panama is a member of the Caribbean Financial Action Task Force (CFATF). Its most recent mutual evaluation can be found here: http://www.cfatf-gafic.org/

Recommendations:

The Government of Panama should increase its efforts to prevent, detect, investigate, and prosecute money laundering and terrorist financing. Despite Panama's considerable financial resources, a judicial system capable of prosecuting money laundering cases is still a work in progress. As a result, there is little disincentive to committing these crimes within Panama's borders. The GOP's ability to investigate and prevent money laundering and terrorist finance would improve with better training and pay of its law enforcement personnel and customs officers, in addition to the elimination of corrupt officers. The UAF needs increased staffing, better training and greater transparency. Financial and other institutions should be regularly audited for compliance with reporting obligations. The issuance of bearer shares is a primary concern and the GOP should take adequate steps to eliminate or immobilize these instruments. The GOP should fully implement computer systems with electronic records for all CFZ commercial and financial transactions, and implement an electronic customs database that can be accessed by the FIU. Additionally, the GOP should devote more human and technological resources to combating bulk cash smuggling and trade-based money laundering in the CFZ.

Paraguay

Paraguay is a major drug transit country and money laundering center. A multi-billion dollar contraband trade occurs in the border region shared with Argentina and Brazil, called the Tri-Border Area, and facilitates much of the money laundering in Paraguay. While the Government of Paraguay (GOP) suspects that proceeds from narcotics trafficking are often laundered in the country, it is difficult to determine what percentage of the total amount of laundered funds is generated from narcotics sales. Trade-based money laundering and the trafficking in counterfeit goods are widespread. Weak controls in the financial sector, open borders, bearer shares, casinos, a plethora of exchange houses, lax or non-enforcement of cross border transportation of currency and negotiable instruments, ineffective customs inspection and control at the borders, and minimal enforcement activity for financial crimes allow money launderers, transnational criminal syndicates, and possible terrorist financiers to take advantage of Paraguay's financial system.

Ciudad del Este (CDE), on Paraguay's border with Brazil and Argentina, represents the heart of Paraguay's underground or "informal" economy. The area is well known for arms and narcotics trafficking and violations of intellectual property rights—and the illicit proceeds from these crimes are a source of laundered funds. Some proceeds have been forwarded to terrorist organizations. A wide variety of counterfeit goods, including household electronics, cigarettes, software, computer equipment,

video games, and DVDs are imported from Asia and transported across the border into Brazil, with a smaller amount remaining in Paraguay for sale in the local economy.

Offshore Center: No

Free Trade Zones: Yes

Paraguay is a landlocked country with no seaports. However, it has been granted free trade ports and warehouses in neighboring countries' seaports for the reception, storage, handling, and transshipment of merchandise transported to and from Paraguay. Paraguayan free trade ports are located in Argentina (Buenos Aires and Rosario); Brazil (Paranagua, Santos, and Rio Grande do Sul); Chile (Antofagasta and Mejillones); and Uruguay (Montevideo and Nueva Palmira). To date, the three Brazilian free trade ports, Nueva Palmira in Uruguay, and the two Chilean free trade ports are in full operation. About three-fourths of goods are transported by barge on the large river system that connects Paraguay with Buenos Aires (Argentina) and Montevideo (Uruguay). The Paraguayan port authority manages the free trade ports and warehouses.

Criminalizes narcotics money laundering: Yes

A new penal code with enhanced penalties for money laundering crimes came into effect in July 2009 with law 3440/08 that modified various articles in law 1160/97. The new penal code makes money laundering an autonomous crime. The new code establishes predicate offenses for money laundering, but does not require a conviction for the predicate offense before initiating money laundering charges. The new code also allows the state to charge financial sector officials who negligently permit money laundering to occur.

Criminalizes other money laundering, including terrorism-related: Yes (see above)

Criminalizes terrorist financing: No

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

Paraguay does not have laws that criminalize terrorist financing or provide law enforcement agencies with the authority to freeze, seize, or forfeit assets. The Secretariat to Combat Money Laundering (SEPRELAD), presented a draft anti-terrorism finance bill to Congress, but it was withdrawn in late 2009 due to pressure from human rights groups. SEPRELAD has stated that it will present the draft anti-terrorism finance bill to Congress once again in the first quarter of 2010.

Know-your-customer rules: Yes

Banks, finance companies, insurance companies, exchange houses, stock exchanges and securities dealers, investment companies, trust companies, mutual and pension fund administrators, credit and consumer cooperatives, gaming entities, real estate brokers, nongovernmental organizations, pawn shops, and dealers in precious stones, metals, art, and antiques are required to know and record the identity of customers engaging in significant currency transactions. However, little personal background information is required to open a bank account or to conduct financial transactions. Bearer shares are permitted in Paraguay, exposing the country to money laundering risk. A significant portion of corporations issue bearer shares and no measures are in place to ensure that such entities are not being misused for money laundering. Shell companies and trust funds structures are legal but seldom used. Paraguay is also an attractive financial center for neighboring countries, particularly Brazil.

Bank records retention: No

There is no legal obligation for financial institutions to maintain records.

Suspicious transaction reporting: Yes

Banks, finance companies, insurance companies, exchange houses, stock exchanges and securities dealers, investment companies, trust companies, mutual and pension fund administrators, credit and consumer cooperatives, gaming entities, real estate brokers, nongovernmental organizations, pawn shops, and dealers in precious stones, metals, art, and antiques are required to file suspicious transaction reports (STRs) with Paraguay's financial intelligence unit (FIU) within SEPRELAD. There is no reporting threshold. As of September 2009, SEPRELAD processed 585 STRs and sent 7 cases to the Attorney General's office.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture: No

Paraguayan law does not provide for the tracing, freezing, and seizure of many criminally derived assets. Enforcement agencies have limited authority to seize or forfeit assets of suspected money launderers. Assets seized or forfeited are limited to transport vehicles, such as planes and cars, and normally do not include bank accounts. Law enforcement authorities cannot dispose of these assets until a defendant is convicted. They can only freeze assets of persons under investigation for a crime in which the state risks loss of revenue from furtherance of a criminal act, such as tax evasion. The law does not permit assets to be maintained or repaired. New asset forfeiture legislation is required to make improvements in this regard.

Narcotics asset sharing authority: No

Cross-border currency transportation requirements:

Cross-border reporting requirements are limited to customs declaration forms issued by airlines at the time of entry into Paraguay. Persons transporting $10,000 into or out of Paraguay are required to file a customs report.

Cooperation with foreign governments: Yes

There are no known impediments to cooperation. The Egmont Group of FIUs notified Paraguay about the need to comply with its international commitments regarding anti-terrorism finance legislation. If Paraguay does not show reasonable progress in enacting anti-terrorism finance legislation, it could face suspension and ultimately expulsion from the Egmont Group.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues:

Prosecutors handling financial crimes have limited resources to investigate and prosecute. In addition, the selection of judges, prosecutors and public defenders is largely based on politics, nepotism, and influence peddling. According to GOP authorities, as of November 2009, the General Attorney's office has processed 37 money laundering cases, 11 of which resulted in convictions. These cases reinforce the fact that convictions are possible, although difficult, under the current legal framework. The lack of cooperation among Paraguayan law enforcement is also a large impediment to effective enforcement.

Some former government officials have been accused of involvement in the smuggling of contraband or pirated goods. Although there are ongoing criminal investigations, there have been few convictions for smuggling contraband or pirated goods.

The nonbank financial sector operates in a weak regulatory environment with limited supervision. The organization responsible for regulating and supervising credit unions, the National Institute of Cooperatives, lacks the capacity to enforce compliance. Exchange houses are another nonbank sector where enforcement of compliance requirements remains limited. It is estimated that in CDE alone there are more than 100 illegal exchange houses.

There are no effective controls or laws that regulate the amount of currency that can be brought into or out of Paraguay. Customs declaration reports are seldom checked. Customs operations at the airports or land ports of entry provide no control of cross-border cash movements.

In cooperation with the U.S. Department of Homeland Security's Immigration and Customs Enforcement (ICE), a Trade Transparency Unit (TTU) was established in Paraguay to examine trade discrepancies that could be indicative of customs or tax fraud, trade-based money laundering, or terrorist financing.

Law enforcement agencies have no authority to freeze, seize, or forfeit assets related to terrorist financing, which is not a criminal offense under Paraguayan law. The current law also does not provide any measures for thwarting the misuse of charitable or nonprofit entities that could be used as conduits for terrorism financing. However, the Ministry of Foreign Affairs provides the Central Bank, SEPRELAD, and other government entities with the names of suspected terrorists on the UNSCR 1267 Sanctions Committee's consolidated list.

U.S.-related currency transactions:

Most high-priced goods in Paraguay are paid for in U.S. dollars. In addition to bulk cash smuggling, the non-bank financial sector (particularly exchange houses), is often used to move illicit proceeds both from within and outside Paraguay into the U.S. banking system. Large sums of dollars generated from normal commercial activity and suspected illicit commercial activity are also transported physically from Paraguay through Uruguay and Brazil to banking centers in the United States. The GOP is only beginning to recognize and address the problem of the international transportation of currency and monetary instruments derived from illegal sources.

Records exchange mechanism with U.S.:

Paraguay and the United States are not parties to a bilateral mutual legal assistance treaty that provides for exchange of information. Paraguayan and U.S. law enforcement agencies cooperate on a case-by-case basis. SEPRELAD is able to exchange information with the U.S. Financial Crimes Enforcement Network (FinCEN).

International agreements:

Paraguay is a party to various bilateral and multi-lateral information exchange agreements, including the Inter-American Convention on Mutual Legal Assistance in Criminal Matters. To date the Paraguayan FIU has signed 29 MOUs with other FIUs and is in the process of signing six more.

Paraguay is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism -Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention -Yes
- the UN Convention against Corruption - Yes

Paraguay is a member of the "3 Plus 1" Security Group with the United States and the Tri-Border Area countries. Paraguay is a member of Financial Action Task Force against Money Laundering in South America (GAFISUD), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/document/35/0,3343,en_32250379_32236869_34355875_1_1_1_1,00.html

Recommendations:

The Government of Paraguay (GOP) took a number of positive steps in 2009 to combat money laundering, particularly with the passage of the bill to strengthen SEPRELAD. However, it should continue to pursue other initiatives to increase its effectiveness in combating money laundering and terrorist financing. The GOP should enact legislation and issue regulations to enable law enforcement authorities to more effectively investigate and prosecute money laundering and terrorist financing.

Paraguay does not have a law criminalizing terrorist financing; and it should take steps as quickly as possible to ensure that comprehensive counter-terrorism and counter-terrorist financing legislation is introduced and adopted. The GOP should ensure adequate licensing/registration and supervision of nonbank financial institutions. Further reforms in the selection and accountability of judges, prosecutors and public defenders are needed, as are reforms in customs to allow for increased inspections and interdictions at ports of entry. Now that the penal code has been amended, it is critical to Paraguay's future prosecutorial successes that judges and prosecutors enhance their knowledge regarding the successful prosecution and adjudication of money laundering cases. The GOP should develop strategies targeting the physical movement of bulk cash and combating trade-based money laundering. Additionally, Paraguay should reform its asset forfeiture regime, including the management of seized and forfeited assets.

Philippines

Although the Republic of the Philippines is not a regional financial center, the illegal drug trade in the Philippines has evolved into a billion dollar industry. The Philippines continues to experience an increase in foreign organized criminal activity from China, Hong Kong, and Taiwan. Insurgency groups operating in the Philippines partially fund their activities through local crime and the trafficking of narcotics and arms, and engage in money laundering through ties to organized crime. The proceeds of corruption are also a source of laundered funds. Smuggling, including bulk cash smuggling, continues to be a major problem. The Federation of Philippine Industries estimates lost government revenue from uncollected taxes on smuggled items is over $2 billion annually, including substantial losses from illegal imported fuel and automobiles. The Philippines has a large expatriate community, and remittances are also channels for money laundering.

Offshore Center: Yes

There are seven offshore banking units (OBUs). The Central Bank exercises regulatory supervision over OBUs, and requires them to meet reporting provisions and other banking rules and regulations.

Free Trade Zones: Yes

Criminalizes narcotics money laundering: Yes

Republic Act (RA) 9160 of 2001, as amended by RA 9194 of 2003 (the Anti Money Laundering Act, "AMLA") criminalizes money laundering.

Criminalizes other money laundering, including terrorism-related: Yes

The AMLA criminalizes money laundering beyond narcotics money laundering. However, many significant crimes (including arms trafficking, racketeering, and sexual exploitation) are not currently classified as predicate crimes and the proceeds of these illegal activities are therefore exempt from the AML law.

Criminalizes terrorist financing: No

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

Terrorist financing is not criminalized as a separate offense under Philippine law. While there is no crime of terrorist financing, a person who finances the commission of terrorism may be prosecuted as a terrorist either as a principal by inducement pursuant to Article 17 of the Revised Penal Code or as an accomplice pursuant to Section 5 of the Human Security Act. This flawed approach requires a terrorist act to have occurred and does not encompass general financial support to terrorist entities for other purposes (recruiting, training, social welfare projects, etc.).

Know-your-customer rules: Yes

Section 9(a) of the AMLA requires banks, trusts, insurance companies, securities dealers, foreign exchange dealers, money remitters, and dealers in valuable objects or cash substitutes to establish and record the true identity of clients.

Bank records retention: Yes

Section 9 of the AMLA requires covered institutions to record the identity of all clients and requires covered institutions to maintain records of all transactions for five years from the date of the transaction or the date the account was closed.

Suspicious transaction reporting: Yes

The AMLA, as amended in 2003, requires the filing of suspicious transaction reports (STRs). Through 2008, the financial intelligence unit (FIU) had received more than 15,553 suspicious transactions reports (STRs). The requirement to report transactions linked to terrorism is not comprehensive enough, however.

Large currency transaction reporting: Yes

The threshold for currency transaction reports is 500,000 pesos (approximately $10,600). Through 2008, the FIU had received 135,790,318 CTRs.

Narcotics asset seizure and forfeiture:

Philippine law RA 9165 provides for the seizure and forfeiture of drug related assets. However, the Philippines has no comprehensive legislation pertaining to civil and criminal forfeiture. Various government authorities have the ability to temporarily seize property obtained in connection with criminal activity. Money and property must be included in the indictment, however, to permit forfeiture. Upon conviction or conclusion of the criminal case, funds left over after paying court and administrative costs are given to the Dangerous Drugs Board to further its campaign against illegal drugs.

The FIU has the ability to institute civil actions for forfeiture of monetary instruments or property involved in any unlawful activity defined in the AMLA. No prior criminal charge or conviction is necessary. Through the end of 2008, funds amounting to almost 1.4 billion Philippine pesos (approximately $30 million) were frozen by the FIU, including funds frozen at the request of the UN Security Council, the United States, and other foreign governments. However, 960 million Philippine pesos have been returned to victims and investors in investment scams.

Narcotics asset sharing authority: No

Cross-border currency transportation requirements: Yes

Any amount in excess of the equivalent of $10,000 of cash or negotiable instruments must be declared upon arrival or departure. However, based on the actual amount of foreign currency exchanged and expended, authorities realize there is systematic abuse of the currency declaration requirements and a large amount of unreported cash entering the Philippines.

Cooperation with foreign governments (including refusals):

A Supreme Court of the Philippine's decision requiring prior notice and hearing into the application for inquiry into bank deposits will have significant adverse consequences for Philippines law enforcement in extending international cooperation to its partners. As it stands, the FIU will have to prematurely divulge to account holders the fact of the investigation and the basis for inspecting the bank records.

There has been at least one recent U.S. Drug Enforcement Agency drug case in which the Philippine government refused extradition and instead has opted to pursue its own investigation/charges against the defendant wanted by the U.S.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Except in instances of serious offenses such as kidnapping for ransom, drugs and terrorism-related activities, the FIU is required to secure a court order to examine bank deposit accounts related to unlawful activities enumerated in the AMLA. Likewise, the FIU must obtain a court order to freeze assets of terrorists and terrorist organizations placed on the UN 1267 Sanctions Committee's consolidated list, the list of Specially Designated Global Terrorists Designated by the United Sates pursuant to E.O. 13224 and the lists of other foreign governments. This requirement is inconsistent with the international standard, which calls for the preventative freezing of terrorist assets "without delay" from the time of designation.

The AMLA does not cover casinos, nonprofit organizations or designated nonfinancial businesses and professions, except trust companies.

U.S.-related currency transactions:

The amount of drug trafficking between the U.S. and the Philippines is not of a high volume; therefore, the amount of drug money flowing between the two countries is not believed to be at a high volume level. The Philippines does have a large expatriate community, with resulting remittances from the U.S.

Records exchange mechanism with U.S.:

The Philippines and the United States have been parties to a bilateral mutual legal assistance treaty that provides for exchange of information since 1996. The Philippines FIU and FinCEN signed a memorandum of understanding in December 2005.

International agreements:

The Philippines is a party to various information exchange agreements with countries in addition to the United States; authorities can share information or provide assistance to foreign jurisdictions in matters relating to money laundering or other financial crimes without need for a treaty. The FIU has executed 19 MOUs with foreign counterparts.

The Philippines is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

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

Recommendations:

Since 2005, the Government of the Philippines (GOP) has continued to make progress enhancing and implementing its anti-money laundering regime, however the GOP needs to take immediate steps to comprehensively criminalize terrorist financing. Accountants, casinos, nonprofit organizations and designated nonfinancial businesses and professions should be fully regulated and supervised for anti-money laundering/counter-terrorist financing compliance and required to file CTRs and STRs. The GOP should enact comprehensive legislation regarding freezing and forfeiture of assets that would empower the FIU to issue administrative freezing orders to avoid funds being withdrawn before a court order is issued. In addition, as an investigative measure, law enforcement should be given the authority to have direct access to financial records without the need for a court order.

Russia

Russia is a regional financial center with a relatively small, but growing, number of depositors. Money laundering (ML) and terrorist financing (TF) are prevalent in Russia, where there is a high level of

organized crime and corruption. Criminal elements from neighboring countries extensively use Russia's financial system to launder money. Domestic sources of laundered funds include organized crime, evasion of tax and customs duties, fraud, public corruption, and smuggling operations. Criminals invest and launder their proceeds in real estate and security instruments, or use them to buy luxury consumer goods. Criminal elements from Russia and neighboring countries continue to use Russia's financial system and foreign legal entities to launder money. Russia has been a repeated victim of terrorism, and some TF schemes involve the misuse of alternative remittance networks by foreign and North Caucasian terrorist groups. Despite making progress in combating financial crimes, Russia remains vulnerable to such activities because of the many large-scale financial transactions associated with its vast natural resources, the heavy direct and indirect roles of the state in the economy, porous borders, Russia's role as a geographic gateway to Europe and Asia, and under-funding of regulatory and law enforcement agencies, which contributes to both corruption and lack of regulatory and law enforcement capacity.

Offshore Centers: No

Free Trade Zones: Yes

To date, six Special Economic Zones have been established pursuant to legislation passed in 2005: in Zelenograd and Dubna in the Moscow region (focused on micro-electronics and nuclear technology, respectively); St. Petersburg (information technology); Tomsk (new materials); Lipetsk (appliances and electronics); and Yelabuga (auto components and petrochemicals).

Criminalizes narcotics money laundering: Yes

Russia criminalizes money laundering through articles 174 of the Criminal Code (CC) (regarding money laundering), 174.1 CC (self-laundering) and 175 CC (acquisition of property obtained by crime).

Criminalizes other money laundering, including terrorism-related: Yes

Russia takes an "all crimes" approach to money laundering predicate offenses, with the exception of six financial crimes (such as insider trading and stock market manipulation). To partly remedy these exceptions, Law 241-FZ was passed on October 30, 2009, to criminalize insider trading, stock market manipulation, and other similar crimes. There is no criminal liability for corporations; only a natural person is subject to criminal liability.

Criminalizes terrorist financing: Yes

Russia criminalizes terrorist financing in 205.1 CC, which targets any support or contribution to terrorist activity. The terrorist financing offense covers the provision and collection ("raising") of funds. The low number of investigations and convictions under the terrorist financing provisions in proportion to the prevalence of terrorism in Russia suggests that these provisions are not being used effectively.

Know-your-customer rules: Yes

Developing customer due diligence practices among financial institutions makes up a large portion of Russia's anti-money laundering (AML) improvement efforts. Due diligence is supported by both a legal framework and guidelines issued by the Central Bank of Russia (CBR), and is stringently enforced. Federal Law No. 115-FZ prohibits credit institutions from opening, and thus maintaining, new accounts (deposits) registered in the name of anonymous holders, i.e., without the requisite identification documents. The CBR requires financial institutions to update customer information every one to three years, depending on the perceived risk of money laundering. According to Law 121-FZ, effective December 7, 2009, transactions over RUR 15,000 (approximately $500) cannot be conducted without proof of identification.

Russia has established unified anti-money laundering/counter-terrorist financing (AML/CFT) requirements for financial institutions and the majority of designated non-financial businesses and professions (DNFBPs), such as casinos and gambling outlets, jewelers' businesses, real estate agents, and

pawnshops. A draft law currently being considered by the State Duma contains legislative amendments to fully extend the customer identification, record keeping and reporting requirements to lawyers, notaries and auditors.

Russia improved its legislation regarding politically exposed persons (PEPs) in Law 121-FZ, dated June 3, 2009, by allowing financial institutions to identify foreign PEPs, requiring written permission to perform services for foreign PEPs, and permitting financial institutions to determine the sources of monetary funds or other property owned by foreign PEPs. Law 273-FZ and RF Presidential Decree No. 557 established a means for monitoring the incomes of Russian PEPs.

Bank records retention: Yes

In accordance with Law 262-P, banks must obtain information regarding individuals, legal entities and the beneficial owners of corporate entities and retain it for a minimum of five years from the date of the termination of the business relationship.

Suspicious transaction reporting: Yes

Law 115-FZ (AML/CFT Law) requires the reporting of suspicious transactions. Article 7 of the AML/CFT Law includes a requirement to file suspicious transaction reports (STRs) in the case of suspected terrorist financing. Any transaction involving an entity or person included on the Russian government's list of those involved in extremist activities or terrorism must be reported as a suspicious transaction. Institutions legally required to report suspicious or large transactions include banks, credit organizations, securities market professionals, insurance and leasing companies, the federal postal service, jewelry and precious metals merchants, betting shops, companies managing investment and nongovernmental pension funds, real estate agents, lawyers and notaries, and persons rendering legal or accounting services that involve certain transactions. Between January 1 and October 1, 2009, 2,706,610 STRs were received by the FIU.

Large currency transaction reporting: Yes

Financial institutions are required under the AML/CFT Law to file large currency transaction reports (CTRs). A CTR is filed if a transaction equals or exceeds RUR 600,000 (approximately $20,000). Real estate transactions that are valued at RUR 3,000,000 (approximately $100,000) or more must be reported.

Narcotics asset seizure and forfeiture: Yes

Russian legislation provides for the tracking, seizure and forfeiture of all criminal proceeds. Russia uses two instruments for confiscations: the Code of Criminal Procedure (CCP) Article 81, 104.1 CC, and 104.2 CC. Both articles 81 CCP and 104.1 CC provide for the confiscation of instruments, equipment or other means of committing an offense or intended to be used to commit a crime. The Russian confiscation regime does not make any distinction between money, valuables or any other property. Investigators and prosecutors can apply to the court to freeze or seize property obtained as the result of crime, although there are some exceptions in the law restricting seizure of property identified as a primary residence.

Russia has established a system for freezing terrorist assets to comply with UNSCRs 1267 and 1373, as well as subsequent resolutions. Russia maintains both domestic and international terrorist lists. During the first nine months of 2009, there were 253 cases involving the freezing or seizure of property in Russia. Approximately RUR 282,780,000 (approximately $9,340,000) worth of assets was frozen or seized, and RUR 59,692,000 (approximately $1,970,000) was confiscated.

Narcotics asset sharing authority: Yes

Russia has a number of bilateral and multilateral arrangements with foreign counterparts regarding matters of seizure and confiscation and is able to share assets with foreign countries. Russia can recognize and enforce foreign non-criminal confiscation orders.

Cross-border currency transportation requirements: Yes

Russia has implemented a declaration system, which is not fully identical for incoming and outgoing passengers. According to the Currency Control and Regulation Law, all incoming persons are obliged to declare any foreign or Russian currency, as well as travelers' checks and securities, if the amount exceeds the equivalent of $10,000. According to the same law, the term *securities* includes domestic security documents related to the securities market and "other securities" which covers all other bearer negotiable instruments. Outgoing travelers must declare cash between $3,000 and $10,000. The export of amounts exceeding $10,000 in foreign and domestic currency is prohibited, unless otherwise licensed on the incoming declaration form. In March 2009, the Federal Customs Service proposed changes designed to improve the system of controlling the flow of cash and bearer negotiable instruments across the Russian border.

Cooperation with foreign governments (including refusals):

The general provision on (international) information exchange is set out in article 10 of the AML/CFT Law. Even though all agencies concerned can act internationally on their own initiative, most of the international cooperation takes place through the financial intelligence unit (FIU). As Chair of the Eurasian group on combating money laundering and financing of terrorism (EAG), Russia's FIU continues to play a strong leadership role in the region and provides technical assistance, including staff training for FIUs and other interested ministries and agencies involved in AML/CFT efforts in the region

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Although both domestic and foreign PEPs are subject to enhanced due diligence, Russian PEPs are not monitored as closely as foreign PEPs. There is no specific provision that prohibits financial institutions from maintaining existing accounts under fictitious names, although, in practice, the Central Bank believes it is unlikely that accounts under fictitious names could operate in the system.

Russia has been criticized for being vulnerable to criminal ownership of financial institutions, and some banks are in fact still believed to be owned and controlled by (suspected) criminals and their front men. To date, the authorities appear to lack the necessary supervisory instruments/legal authorities to prevent criminals from controlling financial institutions, although a draft action plan for the banking sector, and draft legislation, contains provisions to address this problem.

Between January 1 and October 1, 2009, 2462 individuals were charged with money laundering. As of December 1, 2009, the Central Bank had revoked the licenses of nine banks for failure to comply with AML regulations. Additionally, in the first nine months of 2009, the licenses of 14 securities, investment, and pension funds were annulled.

U.S.-related currency transactions:

The U.S. dollar is not Russia's basic reserve currency anymore. The euro-based share of reserve assets of Russia's Central Bank increased to the level of 47.5 percent as of January 1, 2009 and exceeded the investments in dollar assets, which made up 41.5 percent. In accordance with the annual report the Russian Central Bank provides to the State Duma, the dollar has lost the status of the basic reserve currency. According to the U.S. Department of the Treasury, Russia became one of the largest creditors of the U.S. administration last year. Russia increased its investments in the debt securities of the U.S. Treasury from $32.7 billion as of December 2007 to $116.4 billion as of December 2008.

Records exchange mechanism with U.S.:

A Mutual Legal Assistance Treaty between the United States and Russia entered into force on January 31, 2002. Although Russia has assisted the U.S. in investigating cases involving terrorist financing, Russia and the U.S. continue to have differing opinions regarding the purpose of the UN 1267 Sanctions Committee's designation process. These political differences have hampered bilateral cooperation in this

forum. U.S. law enforcement agencies exchange operational information with their Russian counterparts on a regular basis.

During the 2009 Summit in Moscow, Presidents Obama and Medvedev approved the development of a U.S. – Russia bi-lateral initiative aimed to significantly increase the use of financial intelligence and law enforcement tools to stop the illicit financial flows related to drug trafficking in Afghanistan. The initiative will include an operational component to target the trafficking and the illicit networks that support it.

International agreements:

The FIU has 39 memoranda of understanding (MOUs) with other FIUs, including the United States.

Russia is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

Russia is a member of the Financial Action Task Force (FATF) and the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. It also hosts and funds the Secretariat of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a FATF-style regional body, and through this effort has contributed to improving the region's capacity for countering money laundering and terrorist financing. Its most recent mutual evaluation report can be found at: http://www.fatf-gafi.org/document/32/0,3343,en_32250379_32236982_35128416_1_1_1_1,00.html

Recommendations:

Through aggressive enactment and implementation of comprehensive AML/CFT legislation, the Government of Russia (GOR) has established much of the legal and enforcement framework to deal with money laundering and terrorist financing. The GOR should enact the draft law amendments to fully extend the customer identification, record keeping and reporting requirements to lawyers, notaries and auditors, and to provide the legal and supervisory authorities to prevent criminals from controlling financial institutions. Although Russia continues to establish and develop anti-corruption measures, corruption continues to be a problem. The GOR should continue to aggressively pursue corruption; similarly, it should continue to pursue increased transparency in the financial sector. The GOR should ensure that domestic PEPs are monitored on a par with foreign PEPs and prohibit the establishment of accounts in fictitious names. Russia has successfully spread awareness of AML/CFT efforts and has weeded out noncompliant financial institutions; however, significant discrepancies still remain between standards of international and local banks. Further efforts could be made to bring AML efforts of all Russian banks to a more sophisticated level. Finally, Russia should continue to play a leadership role through sustained involvement in the regional and international bodies focusing on AML/CFT regime implementation.

Singapore

As a significant international financial and investment center and, in particular, as a major offshore financial center, Singapore is vulnerable to money launderers. Stringent bank secrecy laws and the lack of routine currency reporting requirements make Singapore a potentially attractive destination for drug traffickers, transnational criminals, terrorist organizations and their supporters seeking to launder money. Additionally, there are terror finance risks. The authorities have taken action against Jemaah Islamiyah and its members and have identified and frozen terrorist assets held in Singapore. Structural gaps remain in financial regulations that may hamper efforts to control these crimes, and financial crimes enforcement

needs strengthening. To address some of these deficiencies, Singapore is implementing legal and regulatory changes to better align itself with the international standards for anti-money laundering/counterterrorist financing (AMLCTF) regimes.

Offshore Center: Yes

Singapore has a sizeable offshore financial sector. As of December 2009, there were 42 offshore banks in operation, all offshore foreign-owned. Singapore does not permit shell banks. Singapore has increasingly become a center for offshore private banking and asset management. However, due to the global financial crisis, total assets under management in Singapore declined 26 percent in 2008 to $864 billion.

Free Trade Zones: Yes

Singapore has five free trade zones (FTZs), four for seaborne cargo and one for airfreight, regulated under the Free Trade Zone Act. The FTZs may be used for storage, repackaging of import and export cargo, assembly and other manufacturing activities approved by the Director General of Customs in conjunction with the Ministry of Finance.

Criminalizes narcotics money laundering: Yes

Singapore's Corruption, Drug Trafficking, and Other Serious Crimes (Confiscation of Benefits) Act (CDSA) has undergone many revisions, with the latest occurring in February 2008. The key amendments add several new categories to its "Schedule of Serious Offenses." The CDSA criminalizes the laundering of proceeds from narcotics transactions and other predicate offenses.

Criminalizes other money laundering, including terrorism-related: Yes

Included in the CDSA are crimes associated with terrorist financing, illicit arms trafficking, counterfeiting and piracy of products, environmental crime, computer crime, insider trading, rigging commodities and securities markets, transnational organized crime, maritime offenses, pyramid selling, importation and exportation of radioactive materials/irradiating apparatus, customs offenses, and falsification or use of false Singapore passports.

Criminalizes terrorist financing: Yes

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

The Terrorism (Suppression of Financing) Act that took effect in 2003 criminalizes terrorist financing. In addition to making it a criminal offense to deal with terrorist property (including financial assets), the Act criminalizes the provision or collection of any property (including financial assets) with the reasonable belief that the property will be used to commit any terrorist act or for various terrorist purposes. The Act also provides that any person in Singapore, and every citizen of Singapore outside the country, who has information about any transaction or proposed transaction in respect of terrorist property, or who has information that he/she believes might be of material assistance in preventing a terrorist financing offense, must immediately inform the police. The Act gives the authorities the power to freeze and seize terrorist assets.

Know-your-customer rules: Yes

The Monetary Authority of Singapore (MAS) has issued a series of regulatory guidelines ("Notices") requiring banks to apply know-your-customer standards. Banks must obtain documentation such as passports or identity cards from all individual customers to verify names, permanent contact addresses, dates of births and nationalities. Banks must also check the bona fides of company customers. The regulations specifically require financial institutions to obtain evidence of the identity of the beneficial owners of offshore companies or trusts. Similar guidelines and notices exist for finance companies, merchant banks, life insurers, brokers, securities dealers, investment advisors, futures brokers and advisors, trust companies, approved trustees, and money changers and remitters. In May 2009, MAS

issued a public consultation paper proposing amendments to clarify the current AML/CFT requirements on Simplified Customer Due Diligence and Performance of Customer Due Diligence Measures by Intermediaries.

Bank records retention: Yes

Sections 36 and 37 of the CDSA requires financial institutions to maintain all "financial transaction documents" for at least five years after the date on which the transaction takes place or the account is closed.

Suspicious transaction reporting: Yes

The CDSA also mandates specific reporting requirements and outlines examples of suspicious transactions that should prompt reporting. Section 39 of the CDSA requires any person who, in the course of his/her professional or business duties, knows or has reasonable grounds to suspect that any property may represent the proceeds of drug trafficking or criminal conduct to report to the Suspicious Transaction Reporting Office (STRO), Singapore's financial intelligence unit (FIU).

Large cash transaction reporting: No

Narcotics asset seizure and forfeiture: Yes

Singapore law provides for the tracing, freezing, and seizure of assets.

Narcotics asset sharing authority:

As ancillary to a foreign criminal prosecution, Singapore may provide assistance to foreign governments in the enforcement of a foreign confiscation or restraint order if the property is reasonably believed to be located in Singapore.

Cross-border currency transportation requirements: Yes

Singapore requires in-bound and out-bound travelers to report cash and bearer-negotiable instruments in excess of Singapore $30,000 (approximately $21,400).

Cooperation with foreign governments: Yes

Singapore's rigid bank secrecy is sometimes an impediment to effective international cooperation in financial crimes enforcement.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

According to Singapore authorities, domestic corruption is minimal. Singapore has consistently ranked in the top five nations in Transparency International's Corruption Perception Index (CPI). In 2009, Singapore was rated third out of 180 countries in the CPI.

In 2008, there were a total of 23 prosecutions and 24 convictions for money laundering offenses.

U.S. related currency transactions:

No information available.

Records exchange mechanism with U.S.:

In November 2000, Singapore and the United States signed the Agreement Concerning the Investigation of Drug Trafficking Offenses and Seizure and Forfeiture of Proceeds and Instrumentalities of Drug Trafficking (Drug Designation Agreement or DDA). The DDA is a limited bilateral mutual legal assistance treaty (MLAT) between Singapore and the United States. The DDA facilitates the exchange of banking and corporate information on drug money laundering suspects and targets, including access to bank records. It also entails reciprocal honoring of seizure/forfeiture warrants. This agreement applies

only to narcotics cases, and does not cover non-narcotics related money laundering, terrorist financing, or financial fraud.

The Financial Crimes Enforcement Network (FinCEN) entered into a memorandum of understanding with the STRO on September 2, 2004.

International agreements:

For a number of years, Singapore's only mutual legal assistance agreements with other countries covered drug offenses. In April 2006, the Mutual Assistance in Criminal Matters Act was amended to provide a bilateral case-by-case initiative that would be available to all countries in all instances in which Singapore and the foreign government would agree to provide the same type of assistance in a similar reciprocal request. The STRO has signed MOUs with 13 counterparts.

Singapore is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

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

http://www.fatf-gafi.org/dataoecd/36/42/40453164.pdf

Recommendations:

The Government of Singapore (GOS) should continue close monitoring of its domestic and offshore financial sectors. The government should add tax and fiscal offenses to its schedule of serious offenses. The GOS should continually work to strengthen its AML/CFT enforcement abilities. Singapore police are fairly successful at identifying domestic predicate offenses; however, given the potential attractiveness of Singapore as a large, stable and sophisticated financial center through which to launder money, the STRO and criminal investigators are encouraged to more strongly focus on the identification of money laundering that originates from foreign sources and offenses. The conclusion of broad mutual legal assistance agreements is also important to further Singapore's ability to work internationally to counter money laundering and terrorist financing. Singapore should lift its rigid bank secrecy restrictions to enhance its law enforcement cooperation in areas such as information sharing and to conform to international standards and best practices. Singapore should also strictly enforce border controls and give greater attention to trade-based money laundering.

Spain

Spain is a major European center of money laundering activities as well as a major gateway for illicit narcotics. Drug proceeds from other regions enter Spain as well, particularly proceeds from Afghan hashish entering from Morocco, cocaine entering from Latin America, and heroin entering from Turkey and the Netherlands. Tax evasion in internal markets and the smuggling of goods along the coastline also continue to be sources of illicit funds in Spain. The smuggling of electronics and tobacco from Gibraltar remains an ongoing problem. Passengers traveling from Spain to Latin America reportedly smuggle sizeable sums of bulk cash. Colombian cartels reportedly use proceeds from drug sales in Spain to purchase goods in Asia. They subsequently sell these goods legally in Colombia or at stores run by drug cartels in Europe. Credit card balances are paid in Spanish banks for charges made in Latin America, and money deposited in Spanish banks is withdrawn in Colombia through ATM networks.

An unknown percentage of drug trafficking proceeds are invested in Spanish real estate, particularly in the once-booming coastal areas in the south and east of the country. Up to twenty percent of the 500 euro notes in use in Europe were reported to be in circulation in Spain during 2009, directly linked to the

purchase of real estate to launder money. Efforts by Spain's tax authority to deter fraudulent activity involving these large bank notes have kept the number of 500 euro notes at October 2008 levels (around 110 million notes).

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Money laundering is criminalized by Article 301 of the Penal Code, added in 1988 when laundering the proceeds from narcotics trafficking was made a criminal offense.

Criminalizes other money laundering, including terrorism-related: Yes

The law was expanded in 1995 to cover all serious crimes that require a prison sentence greater than three years. Amendments to the code, which took effect in 2004, make all forms of money laundering financial crimes. Any property, of any value, can form the basis for a money laundering offense, and a conviction or a prosecution for a predicate offense is not necessary to prosecute or obtain a conviction for money laundering. Spanish authorities can also prosecute money laundering based on a predicate offense in another country, if the predicate offense would be a crime in Spain.

In October 2009, the European Commission filed a complaint against Spain in the European Court of Justice for inadequate implementation of EU norms against money laundering. In December, the Council of Ministers submitted to Congress a draft of a new anti-money laundering/counter-terrorist financing (AML/CFT) law. The legislation aims to codify existing AML/CFT laws and will supersede Law 12/2003 on the Prevention and Blocking of the Financing of Terrorism, which was never fully implemented.

Criminalizes terrorist financing: Yes

See above. In addition, crimes of terrorism are defined in Article 571 of the Penal Code, and penalties are set forth in Articles 572 and 574. Terrorist financing issues are governed by a separate code of law.

Know-your-customer rules: Yes

Money laundering controls apply to most entities active in the financial system, including banks, mutual savings associations, credit companies, insurance companies, financial advisers, brokerage and securities firms, pension fund managers, collective investment schemes, postal services, currency exchange outlets, and individuals and unofficial financial institutions exchanging or transmitting money. Most categories of designated nonfinancial businesses and professions (DNFBPs) are subject to the same core obligations as the financial sector. The list of DNFBPs includes realty agents; dealers in precious metals, stones, antiques and art; legal advisors and lawyers; accountants; auditors; notaries; and casinos.

Bank records retention: Yes

Spanish financial institutions are required by law to maintain fiscal information for five years and mercantile records for six years.

Suspicious transaction reporting: Yes

The financial sector is required to report suspicious transactions. Reporting entities are required to report each suspicious transaction to the financial intelligence unit (FIU). In 2008, the FIU received 2,904 suspicious transaction reports (STRs). Of those received, 328 were submitted by non-bank financial entities.

Large currency transaction reporting: Yes

Law 19/2003 obliges financial institutions to make monthly reports on large transactions. Banks are required to report all international transfers greater than 50,000 Euros (approximately $71,300). The law

also requires the declaration and reporting of internal transfers of funds greater than 100,000 Euros (approximately $143,000). Foreign exchange and money remittance entities must report transactions above 5,000 Euros (approximately $7,100).

Narcotics asset seizure and forfeiture:

Article 127 of the Penal Code allows for broad confiscation authority by applying it to all crimes or summary offenses under the Code. Instrumentalities used to commit the offense and the profits derived from the offense can all be confiscated. Article 127 also provides for the confiscation of property intended for use in the commission of any crime or offense. It also applies to property that is derived directly or indirectly from proceeds of crime, regardless of whether the property is held or owned by a criminal defendant or by a third party. Article 374 of the Penal Code calls for the confiscation of goods acquired through drug trafficking-related crimes and of any profit obtained. This allows for the confiscation of instrumentalities used for illegal drug dealing, as well as the goods or proceeds obtained from the illicit traffic.

Narcotics asset sharing authority: Yes

The Fund of Seized Goods of Narcotics Traffickers, established under the National Drug Plan, receives seized assets. The division of assets from seizures involving more than one country depends on the relationship with the country in question. European Union (EU) working groups determine how to divide the proceeds for member countries. Outside of the EU, bilateral commissions are formed with countries that are members of the Financial Action Task Force (FATF), FATF-style regional bodies (FSRBs), and the Egmont Group, to coordinate the division of seized assets. With other countries, negotiations are conducted on an ad hoc basis.

Cross-border currency transportation requirements: Yes

Individuals traveling internationally are required to report the importation or exportation of currency greater than 10,000 Euros (approximately $14,300). Confiscation provisions apply to persons smuggling cash or monetary instruments that are related to money laundering or terrorist financing. Gold, precious metals, and precious stones are considered to be merchandise and are subject to customs legislation. Failing to file a declaration for such goods may constitute a case of smuggling and would fall under the responsibility of the customs authorities.

Cooperation with foreign governments: Yes

Spain regularly cooperates with other countries investigating money laundering, terrorist financing, and other financial crimes.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Although Spanish authorities have taken steps to neutralize them since 1998, ensuring that mere possession cannot serve as proof of ownership, bearer shares still exist, and the requirements to determine the beneficial owner are inadequate.

Spain has long been dedicated to fighting terrorist organizations, including ETA, GRAPO, and more recently, al-Qaida. Spanish law enforcement entities have identified several methods of terrorist financing: donations to finance nonprofit organizations (including ETA and Islamic groups); establishment of publishing companies that print and distribute books or periodicals for the purposes of propaganda, which then serve as a means for depositing funds obtained through kidnapping or extortion; fraudulent tax and financial assistance collections; the establishment of "cultural associations" used to facilitate the opening of accounts and provide a cover for terrorist financing activity; and alternative remittance system transfers.

Spanish authorities recognize the presence of alternative remittance systems. Informal non-bank outlets such as "*locutorios*" (communication centers that often offer wire transfer services) are used to move money in and out of Spain by making small international transfers for members of the immigrant community. Spanish regulators also note the presence of hawala networks in the Islamic community.

Spain regularly circulates to its financial institutions the list of individuals and entities that have been included on the UNSCR 1267 Sanctions Committee consolidated list. No assets associated with entities listed by the UNSCR 1267 Sanctions Committee were reported to be in Spain in 2009.

A small percentage of the money laundered in Spain is believed to be used for terrorist financing. It is primarily money from the extortion of businesses in the Basque region that is moved through the financial system and used to finance the Basque terrorist group ETA. Throughout 2009, Spanish authorities conducted numerous AML/CFT operations that resulted in arrests and seizures. In July, the Civil Guard arrested 13 members of a trafficking network operating out of the Barcelona airport, including seven airport employees. Police seized cocaine, 12,000 Euros in cash (approximately $18,000) and 85,000 Euros in jewels (approximately $130,000). In September, police raided an area in Mallorca and seized unspecified amounts of drugs, along with 4.3 million Euros (approximately $6,400,000), 8,000 U.S. dollars, and 7.5 kilos of jewelry. In October, five high-ranking ex-officials from the Catalan regional government were arrested for their involvement in a corruption and money laundering case.

U.S.-related currency transactions:

There are no known currency transactions of significance involving large amounts of U.S. currency and/or direct narcotics proceeds from U.S. sales.

Records exchange mechanism with U.S.:

Spain's mutual legal assistance treaty with the United States has been in effect since 1993. Spain has a robust information exchange with a variety of U.S. law enforcement agencies.

International agreements:

The Government of Spain has signed criminal mutual legal assistance agreements with a number of countries and has also entered into bilateral agreements for cooperation and information exchange on money laundering issues with 14 countries, as well as with the United States. The FIU has bilateral agreements for cooperation and information exchange on money laundering issues with more than 25 FIUs.

Spain is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention – Yes
- the UN Convention against Corruption - Yes

Spain is a member of the FATF and is an observer to the South American Financial Action Task Force and a cooperating and supporting nation to the Caribbean Financial Action Task Force, both FATF-style regional bodies. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/52/3/37172019.pdf

Recommendations:

The scale of money laundering and the sophisticated methods used by criminals represent a major threat to Spain. The Government of Spain (GOS) should review the resources available for industry supervision, and ensure that its FIU has the independence and resources it needs to effectively discharge the duties entrusted to it. The GOS should work to close the loopholes in the areas of customer due

diligence, beneficial ownership of legal persons, and the continued use of bearer shares. Congressional approval and implementation of Spain's new AML/CFT legislation will greatly enhance the authorities' capacity to combat terrorist financing. The GOS should clarify whether its laws allow civil asset forfeiture. Spain should maintain and disseminate statistics on investigations, prosecutions and convictions, including the amounts and values of assets frozen or confiscated. Spain should continue its efforts to actively participate in international fora and to assist jurisdictions with nascent or developing AML/CFT regimes.

Switzerland

Switzerland is a major international financial center. Reporting indicates that criminals attempt to launder illegal proceeds in Switzerland from a wide range of criminal activities conducted worldwide. These illegal activities include, but are not limited to, financial crimes, narcotics trafficking, arms trafficking, organized crime, terrorist financing and corruption. Although both Swiss and foreign individuals or entities launder money in Switzerland, foreign narcotics trafficking organizations, often based in the Balkans, Eastern Europe, or South America, dominate the narcotics-related money laundering operations in Switzerland. The country's central geographic location, relative political, social, and monetary stability, the range and sophistication of financial services it provides, and its long tradition of bank secrecy not only contribute to Switzerland's success as a major international financial center, but also expose Switzerland to potential money laundering abuse.

***Offshore Center**:* Yes

Switzerland is one of the world's largest offshore centers, with estimates that the country manages as much as one-third of an estimated $7 trillion of offshore money worldwide. While Switzerland's banking industry offers the same account services for both residents and nonresidents, many Swiss banks offer additional offshore services, including permitting non-residents to form offshore companies to conduct business. However, Swiss commercial law does not recognize any offshore mechanism per se and its provisions apply equally to residents and nonresidents. In April 2009, the Organization for Economic Co-operation and Development (OECD) placed Switzerland on it grey list of tax havens. The country was subsequently removed from the list in September 2009 after having renegotiated a series of Double Tax Agreements (DTAs). The agreements include provisions for extended administrative assistance in tax matters.

***Free Trade Zones**:* Yes

Switzerland has approximately 17 duty free zones located mainly in border cantons like Geneva and Basel. Customs authorities supervise the admission into and the removal of goods from customs warehouses. Warehoused goods may only undergo manipulations necessary for their maintenance, such as repacking, splitting, sorting, mixing, sampling and removal of the external packaging; any further manipulation is subject to authorization. Goods may not be manufactured in these zones. Swiss law has full force in the duty free zones, and export laws on strategic goods, war material, and medicinal products, as well as laws relating to anti-money laundering prohibitions, all apply.

Criminalizes narcotics money laundering: Yes

Money laundering related to all crimes (including narcotics trafficking) is criminalized in Article 305 bis of the Swiss Penal Code, which provides that anyone who commits an act intended to obstruct the identification of the origin, discovery or confiscation of property that he knew or should have presumed was derived from a crime, shall be liable to imprisonment or a fine.

Criminalizes other money laundering, including terrorism-related: Yes

Article 305 bis of the PC and The Federal Act on Combating Money Laundering and Terrorist Financing in the Financial Sector of October 1997 (AML/CFT Act) form the legal basis of Switzerland's anti-money

laundering (AML) regime. Switzerland revised its AML regulations effective February 1, 2009. The regulations, aimed at the banking and securities industries, codify a risk-based approach to suspicious transactions and client identification and install a global know-your-customer risk management program for all banks, including those with branches and subsidiaries abroad. Under the revised AMLA, Swiss law recognizes certain criminal offenses as predicate offenses for money laundering, including illegal trafficking in migrants, counterfeiting and pirating of products, smuggling, insider trading, and market manipulation.

Criminalizes terrorist financing: Yes

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

Terrorism-related money laundering is criminalized in the AML/CFT Act. Revisions to the Swiss Penal Code regarding terrorist financing entered into force on October 1, 2003. Article 100 of the Penal Code extends criminal liability for terrorist financing to include companies. However, the Swiss Penal Code currently criminalizes the financing of an act of criminal violence, not the financing of an individual, independent of a particular act.

Swiss authorities regularly request that banks and nonbank financial intermediaries check their records and accounts against the U.S. and UN lists and those generated by the Swiss Economic and Finance Ministries.

Know-your-customer rules: Yes

Swiss money laundering laws and regulations apply to both banks and nonbank financial institutions. The Swiss Bankers Association Due Diligence Agreement was drafted by the Swiss banking industry. The guidelines were most recently revised on January 17, 2003. The regulations contain obligations to keep records of all clients' dates of birth and nationality. Customers have to prove their identity with an official document, even if they are known by a bank employee. In the case of accounts held for legal entities, the individual opening the account has to reveal his identity, while clients opening Internet banking accounts have to provide a copy of their passport or identity card. Financial intermediaries must conduct additional due diligence in the case of higher-risk business relationships. The regulations require increased due diligence for politically exposed persons (PEPs), ensuring that decisions to commence relationships with such persons be undertaken by at least one member of the senior executive body of a financial institution.

Bank records retention: Yes

The AML/CFT Act requires financial intermediaries to keep records of transactions for a minimum of ten years after the termination of the business relationship, or after completion of the transaction.

Suspicious transaction reporting: Yes

Switzerland's AMLA requires financial institutions to report suspicious transactions to Switzerland's financial intelligence unit (FIU), the Money Laundering Reporting Office (MROS). In addition to financial institutions, designated nonfinancial businesses and professions (DNFBPs) such as attorneys, commodities and precious metals traders, asset managers and investment advisers, distributors of investment funds, securities traders, and credit card companies are also required to report. There is no currency reporting threshold for suspicious transaction report (STR) filing. MROS received 851 STRs in 2008, and forwarded 81 percent of these to Swiss law enforcement. As was the case in the previous years, "fraud" was by far the most frequently suspected predicate offense (38.5 percent). An amendment to Article 9-1 of the AMLA provided for reporting of suspected terrorist financing.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture: Yes

Switzerland has implemented legislation for identifying, tracing, freezing, seizing, and forfeiting assets. If financial institutions believe that assets derive from criminal activity, they must freeze the assets immediately until a prosecutor decides on further action. Under Swiss law, suspect assets may be frozen for up to five days while a prosecutor investigates the suspicious activity.

Narcotics asset sharing authority: Yes

Switzerland has shared large amounts of seized narcotics assets with the United States and other countries. In addition, Switzerland has returned a total of $1.6 billion in illegal PEP assets to home countries. Most prominently, Switzerland returned $684 million in assets deposited by Ferdinand Marcos to the Philippines and $700 million in assets deposited by Sani Abacha to Nigeria. Historically, Switzerland has required court rulings in both Switzerland and the PEP's home country before returning the assets.

Cross-border currency transportation requirements: No

Cooperation with foreign governments: Yes

Swiss authorities cooperate with counterpart bodies from other countries and no legal issues hamper the government's ability to assist foreign governments in mutual legal assistance requests

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Because there are no laws for declaration of currency and monetary instruments, Swiss authorities cannot effectively initiate bulk cash investigations.

Switzerland ranks third in the highly profitable global artwork trading market, exporting $1.5 billion of artwork in 2008. Because of the size of the Swiss art market, organized crime groups have attempted in the past to transfer stolen art or to use art to launder criminal funds via Switzerland. The United States is by far Switzerland's most important trading partner in this area, having purchased $476 million worth of works of art in 2008. This sum represents 29% percent of total Swiss artwork exports.

The Swiss Attorney General froze 21 accounts representing about SFr. 21 million (approximately $20.5 million) on the grounds that they were related to terrorism financing. As of November 2009, the State Secretariat for Economic Affairs (SECO) advised that 25 bank accounts totaling Sfr. 17 million (approximately $16.3 million) relating to al-Qaida and the Taliban remained frozen.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

Switzerland has a mutual legal assistance treaty (MLAT) in place with the United States, and Swiss law allows authorities to furnish information to U.S. regulatory agencies, provided it is kept confidential and used for law enforcement purposes. Switzerland has worked closely with the U.S. on numerous money laundering cases and cooperates with U.S. on efforts to trace and seize assets. Swiss legislation permits "spontaneous transmittal," a process allowing the Swiss investigating magistrate to signal to foreign law enforcement authorities the existence of evidence regarding suspicious bank accounts in Switzerland. However, Swiss privacy laws make it extremely difficult for bank officials and Swiss police to divulge financial crime information to U.S. authorities absent a MLAT request or Letters Rogatory. The Swiss FIU exchanges information regularly with the FIU of the United States without a memorandum of understanding in place.

International agreements:

Switzerland is a party to various information exchange agreements with countries in addition to the United States; authorities can share information or provide assistance to foreign jurisdictions in matters relating to money laundering or other financial crimes.

Switzerland is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

Switzerland is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/29/11/35670903.pdf

Recommendations:

The Government of Switzerland (GOS) has been trying to change the country's image as a haven for illicit banking services for many years. The Swiss believe their system of self-regulation, which incorporates a "culture of cooperation" between regulators and banks, equals or exceeds that of other countries. The GOS should address deficiencies with regard to correspondent banking regulations and beneficial owner identification requirements. Switzerland should enact and implement cross-border currency reporting requirements and consider the implementation of a reporting system for large currency transactions. The GOS should outlaw bearer shares completely, and implement effective AML legislation and rules that monitor and regulate money service businesses and the DNFBP sectors, including ensuring that the competent authorities have the resources to conduct outreach and complete their regulatory missions.

Taiwan

Taiwan's modern financial sector and its role as a hub for international trade make it susceptible to money laundering. Taiwan's location astride international shipping lanes makes it vulnerable to transnational crimes, such as narcotics trafficking, trade fraud, and smuggling. There has traditionally been a significant volume of informal financial activity through unregulated non-bank channels, but in recent years Taiwan has taken steps to shift much of this activity into official, regulated financial channels. Most illegal or unregulated financial activities are related to tax evasion, corruption, racketeering, fraud, or intellectual property violations. An emerging trend in money laundering is underground alternative remittance systems operated by jewelry stores which usually use couriers to move gold and currency cross-border.

Offshore Center: Yes

Legislation ratified in 2006 allows the expansion of offshore banking unit (OBU) operations to the same scope as Domestic Business Units (DBU). This was done to assist China-based Taiwan businesspeople in financing their business operations. DBUs engaging in cross-strait financial business must follow the regulations of the "Act Governing Relations between Peoples of the Taiwan Area and the Mainland Area" and "Regulations Governing Approval of Banks to Engage in Financial Activities between the Taiwan Area and the Mainland Area." According to the Central Bank, as of September 2009, Taiwan hosted 63 offshore banking units. Offshore banks, international businesses, and shell companies must comply with the disclosure regulations from the Central Bank, the Banking Bureau of the Financial Supervisory Commission, and the Anti-Money Laundering Division (AMLD). Supervisory agencies conduct background checks on applicants for banking and business licenses. Offshore casinos and Internet gambling sites are illegal.

Free Trade Zones: Yes

Taiwan has five Free Trade Zones (FTZ)--in Keelung and the areas of Taipei, Taichung, Kaohsiung, and Taoyuan. Each zone is associated with a particular function/industry, categorized as international logistics, high value-added industries, warehousing, transshipment, processing of cargo, and/or mature industrial clusters. The values of shipments through these FTZs in the first nine months of 2009 was NT$145.5 billion (approximately $4.5 billion), up from NT$86.6 billion (approximately $2.57 billion) for the same period in 2008. In 2009, an amendment to Article 3 of Taiwan's Act for the Establishment and Management of Free Trade Zones was passed, providing for the establishment of a Free Trade Zone Coordination Committee. The Committee will be the designated authority charged with reviewing and examining the development policy of the FTZ, the demarcation and designation of FTZs, and inter-FTZ coordination.

Criminalizes narcotics money laundering: Yes

The offense of money laundering is criminalized under the Money Laundering Control Act 1996 (the MLCA), most recently amended in 2009. Provisions found within the Organized Crime Prevention Act, the Narcotics Hazards Control Act, and Article 38 of the Criminal Code further support the criminalization and subsequent prosecution of drug related money laundering offenses.

Criminalizes other money laundering, including terrorism-related: Yes

The predicate offenses for money laundering are defined in Article 3 of the MLCA and combine both a threshold and list approach, including "serious crimes" which have a minimum punishment of imprisonment of five years or more. July 2007 amendments to the MLCA expand its coverage to include a new agricultural bank, trust companies, and newly licensed currency exchanges as well as hotels, jewelry stores, postal offices, temples, and bus/railway stations, essentially all entities that may be involved in currency exchange.

Criminalizes terrorist financing: Yes

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

Terrorist financing was established as a separate criminal offense in May 2009 with revisions to Article 11 of the amended MLCA. The amended law subjects individuals to criminal liability when they collect funds or use them for themselves or others to commit one or more of 26 designated crimes aimed to blackmail people, coerce the government, or coerce an international organization. Additionally, Article 3 establishes terrorist financing as a predicate to money laundering and enables the government to exercise broader power in punishing nationals who commit terrorist offenses outside of their jurisdiction.

Know-your-customer rules: Yes

The "Regulations Governing Bank Handling of Accounts with Suspicious or Unusual Transactions" requires banks to establish clear know-your-customer (KYC) policies and procedures that include standards for monitoring of deposit accounts and transactions. The directions issued by the Financial Supervisory Commission for banks, securities firms, and life insurance companies engaged in wealth management business require such financial institutions to tailor their KYC rules according to the risk characteristics of each type of business. The directions also require financial institutions to apply stricter customer due diligence (CDD) and approval procedures to individuals of certain background or professions identified as high risk and their family members. Current legislation does not have explicit requirements calling for enhanced CDD measures for Politically Exposed Persons (PEPs).

The threshold for occasional cash transactions that triggers a CDD obligation was lowered from NT$1 million (approximately $31,200) to NT$ 500,000 (approximately $ 15,600). Those who transfer funds over NT$30,000 (approximately $930) at any bank in Taiwan must produce a photo ID, and the bank must record the name, ID number and telephone number of the client.

Bank records retention: Yes

Record keeping requirements are broadly provided under Article 7 of the MLCA that requires financial institutions to keep transaction and customer identification records for five years only for cash transactions exceeding NT$1,000,000 (approximately $31,200). Article 8 of the MLCA also requires financial institutions to keep transaction and customer identification records for suspicious transactions.

Suspicious transaction reporting: Yes

Financial institutions are required to identify, record, and report the identities of customers engaging in significant or suspicious transactions. Revisions to the MLCA extend suspicious transaction reporting to suspected terrorist financing activity. There is no threshold amount specified for filing suspicious transaction reports (STRs). Certain designated nonfinancial businesses and professions (DNFBPs) are also subject to anti-money laundering/counter-terrorist financing (AML/CFT) reporting requirements. The Ministry of Economic Affairs revised the STR reporting forms for jewelry stores in May 2009 to facilitate timelier reporting. Ethics Rules adopted by the Ministry of Interior in December 2008 obligate members of the National Real Estate Broking Agencies Association to report suspicious transactions to the association when they occur.

The Anti-Money Laundering Division (AMLD) of the Ministry of Justice's Investigation Bureau (IBMJ) is Taiwan's financial intelligence unit (FIU). The AMLD receives, analyzes, and disseminates STRs, currency transaction reports and cross-border currency movement declaration reports. In 2008, the AMLD received 1,643 STRs, 23 of which resulted in prosecutions based on the MLCA.

Large currency transaction reporting: Yes

The "Regulations Governing Cash Transactions Reports and Suspicious Transaction Reports by Financial Institutions" issued took effect in March 2009. Per the regulation, the threshold amount triggering cash transaction reporting was lowered from NT$1 million (approximately $31,200) to NT$500,000 (approximately $15,600). The order imposes similar due diligence obligations and currency transaction reporting on agricultural financial institutions for transactions exceeding NT$500,000. In 2008, the AMLD received 1,133,014 Cash Transaction Reports (CTRs).

When foreign currency in excess of NT$500,000 (approximately $15,600) is transferred into or out of Taiwan via the Taiwan banking system, the transfer must be reported to the Central Bank. Prior approval is required for exchanges between New Taiwan dollars and foreign currency when the amount exceeds $5 million for an individual resident or $50 million for a corporate entity.

Narcotics asset seizure and forfeiture: Yes

The MLCA, Article 9, provides that whenever the prosecutor obtains sufficient evidence to prove the offender has committed a crime prescribed in Article 11 (stipulating money laundering and terrorist financing offenses) by transporting or transferring a monetary instrument or funds, the prosecutor may request the court to order the financial institution to freeze that specific transaction to prevent withdrawal, transfer, or other disposition of the involved funds for a period not more than six months. Assets of drug traffickers, including instruments of crime and intangible property, can be seized along with legitimate businesses used to launder money. The law does not allow for civil forfeiture.

To support these efforts the Ministry of Justice organized a "laws and decrees amendment researching" task force in March 2009. The group of multi-disciplinary stakeholders is charged with developing a comprehensive seizure and confiscation regime.

Narcotics asset sharing authority: Yes

Taiwan has promulgated drug-related asset seizure and forfeiture regulations that stipulate that—in accordance with treaties or international agreements—Taiwan's Ministry of Justice shall share seized assets with foreign official agencies, private institutions, or international parties that provide Taiwan with assistance in investigations or enforcement.

Cross-border currency transportation requirements: Yes

According to legislation passed in July 2007, individuals are required to report currency transported into or out of Taiwan in excess of NT$60,000 (approximately $1,900), $10,000 or equivalent in foreign currency, 20,000 Chinese Yuan (approximately $2,930), or gold worth more than $20,000.

Cooperation with foreign governments: Yes

Taiwan provides information to international counterparts upon request, based on the principles of mutual benefits and reciprocity. With regard to mutual legal assistance requests made by foreign jurisdictions (where there is no agreement or memorandum of understanding (MOU) with Taiwan), the Ministry of Justice in accordance with established procedure, forwards the requests to the relevant prosecutors' office to provide the assistance requested. The Act of Handling Foreign Court-Commissioned Cases and the Taiwan-American Agreement on Mutual Legal Assistance in Criminal Matters establish a basis through which Taiwan can respond to requests of foreign nations that do not relate to a case under prosecution.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Taiwan prosecuted 33 cases involving money laundering in 2008. Among the 33 cases, 19 involved financial crimes, such as unregistered stock trading, credit card theft, currency counterfeiting or fraud; four were corruption-related.

Amendments to the Foreign Exchange Control Act and the Offshore Banking Act on April 29, 2009 implement the requirements of UNSCRs 1267 and 1373 on combating the financing of terrorism.

U.S.-related currency transactions:

Direct two-way remittance of funds between Taiwan and the Peoples Republic of China (PRC) started on February 26, 2009. In Taiwan, the transfer of funds to the PRC is handled at branches designated by Chunghwa Post. Since no mechanism is in place for the cross-Strait settlement of the Renminbi (RMB) and New Taiwan Dollar (NT$) currencies, cross-Strait remittances currently have to be denominated in U.S. dollars.

The possession, distribution and use of counterfeit US Federal Reserve Notes and fraudulent US Bonds continues to occur in Taiwan, often in concert with other illicit activity. During 2009, the United States Secret Service (USSS) continued on-going investigations, involving over $4 million in counterfeit currency. In 2009, there was a new case involving the seizure of $75.5 billion in fraudulent US Bonds.

Records exchange mechanism with U.S.:

A mutual legal assistance agreement (MLAA) between the American Institute in Taiwan (AIT) and the Taipei Economic and Cultural Representative Office in the United States (TECRO) entered into force in March 2002. It provides a basis for Taiwan and U.S. law enforcement agencies to cooperate in investigations and prosecutions for narcotics trafficking, money laundering (including the financing of terrorism), and other financial crimes.

The AMLD is able to exchange information with the Financial Crimes Enforcement Network (FinCEN).

International agreements:

Revisions to the MLCA in 2007 reduced restrictions on mutual legal assistance where previously mutual legal assistance treaties or MLAA were required. Taiwan is now able to exchange information based on the principles of reciprocity and mutual benefits. Since June 2008, Taiwan has signed MOUs to establish mechanisms for cooperation with countries and jurisdictions including the United States, Macedonia, the Netherlands Antilles and Aruba. Customs became a member of the Customs Asia Pacific Enforcement Reporting System and has signed MOUs with counterparts in the U.S., Australia, and the Philippines for sharing customs information.

Taiwan is unable to ratify UN Conventions because of long standing political issues. However, it has enacted domestic legislation to implement the standards in the key AML/CFT UN Conventions. The new amendment of the MLCA has incorporated related laws to fully implement the provisions of the Vienna, Palermo and Terrorist Financing conventions and resolutions.

Taiwan is a member of the Financial Action Task Force-style regional body Asia/Pacific Group on Money Laundering (APG). Its most recent mutual evaluation can be found here: http://www.apgml.org/documents/docs/17/Chinese%20Taipei%20MER2_FINAL.pdf

Recommendations:

Taiwan continues to improve and implement an anti-money laundering regime that largely comports with international standards. Taiwan should pass legislation to criminalize terrorism and terrorist financing as an autonomous crime. It should exert more authority over its nonprofit organizations. The authorities on Taiwan should continue to strengthen the existing anti-money laundering regime as they implement new measures included in the 2009 MLCA amendments. Taiwan should abolish all shell companies and prohibit new shell companies of any type from being established. Taiwan should enhance implementation of legislation regarding alternate remittance systems and Taiwan law enforcement should enhance investigations of underground finance and its links to trade fraud and trade-based money laundering.

Thailand

Thailand is a centrally located, developed Southeast Asian country surrounded by economically less vibrant neighbors along an extremely porous border. Thailand is vulnerable to money laundering from its own underground economy as well as many categories of cross-border crime, including illicit narcotics and other contraband smuggling. The Thai black market includes a wide range of pirated and smuggled goods, from counterfeit medicines to luxury automobiles. Money launderers and traffickers use banks, as well as non-bank financial institutions and businesses to move the profits of narcotics trafficking and other criminal enterprises. Thailand is a significant destination and source country for international migrant smuggling and trafficking in persons, a production and distribution center for counterfeit consumer goods and, increasingly, a center for the production and sale of fraudulent travel documents. Illegal gambling, underground lotteries, and prostitution are all problems. Underground finance and remittance systems are used to launder illicit proceeds. In addition to its home-grown and regional criminal problems, some parts of Thailand are becoming havens for criminal elements from other regions, particularly West Africa and the former Soviet Union. The capacity of Thailand's criminal justice system to deal with these daunting challenges is low.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Thailand's anti-money laundering legislation, the 1999 Anti-Money Laundering Act (AMLA) and subsequent amendments, criminalize money laundering for narcotics trafficking.

Criminalizes other money laundering, including terrorism-related: Yes

The AMLA and subsequent amendments criminalize money laundering for the following nine offenses: narcotics trafficking, trafficking in women or children for sexual purposes, public fraud, financial institution fraud, public corruption, customs evasion and blackmail, terrorist activity, and illegal gambling.

Criminalizes terrorist financing: Yes

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

In 2003, the Royal Thai Government (RTG) issued two Emergency Decrees to enact measures related to terrorist financing. The first Decree amended Section 135 of the Thai Penal Code. The second Decree amended Section 3 of the AMLA to add the offenses related to terrorism under the Thai Penal Code, including the financing of terrorism, as predicate offenses for money laundering. Parliament endorsed the status of such decrees as legal acts in April 2004. However, terrorist financing has not been criminalized consistent with international standards, as the terrorist financing offense does not conform to the UN Convention for the Suppression of the Financing of Terrorism. Further, Thai legislation does not criminalize all situations for the provision or collection of funds for an individual terrorist or a terrorist organization, nor does the terrorist financing offense extend to the unlisted individual terrorist or terrorist organization.

Know-your-customer rules: Yes

In 2009, a new amendment to the AMLA was passed broadening the range of non-bank businesses required to follow reporting and identification requirements. Unlike the requirements for financial institutions, only suspicious transactions or those exceeding certain amounts are subject to the identification requirement. Apart from investment advisors, the amended AMLA also covers eight additional non-bank businesses, including jewelry and gold shops, automotive hire-purchase businesses or car dealers, real-estate agents/brokers, antiques shops, personal loan businesses, electronic card businesses, credit card businesses, and electronic payment businesses. However, the minimum monetary thresholds for reporting business transactions have not yet been finalized.

Bank records retention: Yes

Under AMLA requirements, financial institutions are required to keep customer identification and specific transaction records for a period of five years from the date an account was closed, or from the date a final transaction occurred, whichever is longer.

Suspicious transaction reporting: Yes

The AMLA requires financial institutions (private banks, state owned-banks, finance companies, insurance companies, savings cooperatives, etc.), and land registration offices to report suspicious transactions to the Thai Anti-Money Laundering Office (AMLO) which serves as the financial intelligence unit (FIU). During the 2009 fiscal year (October 08 – September 09), AMLO received 11,951 suspicious transaction reports and disseminated 23 reports within AMLO and to other agencies.

Large currency transaction reporting: Yes

The AMLA also requires that obligated entities report most financial transactions exceeding Bt 2 million (approximately $60,500), including purchases of securities and insurance, and property transactions exceeding Bt 5 million (approximately $151,300).

Narcotics asset seizure and forfeiture: Yes

The Act for the Suppression of Drugs Offenders of 1991 provides for the tracing, freezing, and seizure of assets. In addition, the AMLA provides for civil forfeiture of property involved in a money laundering offense. Money and property derived from commission of a predicate offense, from aiding or abetting the commission of a predicate offense, or derived from the sale, distribution, transfer, or returns of such money or assets may be seized under section 3 of the AMLA. AMLO, through the Transaction Committee, is responsible for tracing, freezing, and seizing assets. The AMLA makes no provision for substitute seizures if authorities cannot prove a relationship between the asset and the predicate offense.

Narcotics asset sharing authority: Yes

Under the Suppression of Drugs Offenders Law Thai law enforcement entities may share assets as a function of a bilateral agreement, though in practice this has rarely happened.

Cross-border currency transportation requirements: No

There are no restrictions or reporting obligations on the importation or exportation of foreign currency (or bearer-negotiable instruments). Export of domestic currency is subject to authorization when the amount exceeds 50,000 baht ($1,500), or 500,000 baht ($15,100) when traveling to adjacent countries.

Cooperation with foreign governments: Yes

The RTG routinely cooperates with other jurisdictions in financial crimes investigations.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

AMLO, the Bank of Thailand, the Securities and Exchange Commission and the Department of Special Investigation are all responsible for investigating financial crimes, with overlapping jurisdictions and quite varied levels of competence.

Thailand does not have mechanisms in place for freezing funds or other assets of persons designated under UNSCRs 1267 and 1373.

The AMLO prosecuted 15 cases and seized Bt 18.4 million (approximately $529,000) during the first six months of FY 2008 fiscal year. However, the prosecution process ceased in April 2008 because an amendment to the AMLA in early 2008 required that both the Anti-Money Laundering Board and the Transaction Committee be dissolved (in March 2008) and replaced by new bodies in line with the amended AMLA. Without these two bodies, asset forfeiture and financial asset seizure cannot be processed, as the AMLA does not have any provision to allow existing bodies to continue their work while the selection process of new members takes place. The selection process also was delayed due to three changes of government in 2008, and a later disagreement between the Cabinet and the Parliament on the proposed list of experts for the AML Board. Although asset forfeiture and financial asset seizure operations are on hold, the AMLO retains the power to investigate cases, and pursued 184 of them during FY 2009.

U.S.-related currency transactions:

Currency transactions between the US and Thailand are voluminous, mostly related to trade matters. It is likely that currency transactions resulting from the illicit narcotics trade do transit the Thai banking system.

Records exchange mechanism with U.S.:

Thailand and the United States are parties to a bilateral mutual legal assistance treaty (MLAT). AMLO is able to exchange information with the Financial Crimes Enforcement Network (FinCEN).

International agreements:

Thailand has MLATS with ten additional countries and is party to the regional Association of Southeast Asian Nations (ASEAN) Mutual Legal Assistance Agreement. Thailand is also a party to various information exchange agreements. Thai authorities can share information or provide assistance to foreign jurisdictions in matters relating to money laundering or other financial crimes without need for a treaty. AMLO has memoranda of understanding (MOUs) on money laundering cooperation with 36 other FIUs. It also actively exchanges information with nations with which it has not entered into an MOU, including the United States, Singapore, and Canada.

Thailand is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes

- the 1988 UN Drug Convention - Yes
- the UN Convention against Transnational Organized Crime - No
- the UN Convention against Corruption - No

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

Recommendations:

During the past several years, the Royal Thai Government (RTG) has demonstrated more of a commitment to the adoption of anti-money laundering/counter-terrorist financing (AML/CFT) international best practices. While many improvements have already been identified and adopted by Thai agencies, there are important actions still pending, including the passage of key bills, regulations, or measures which will help augment the current AML/CFT regime in Thailand. The RTG must take steps to amend the process by which the Anti-Money Laundering Board and Transaction Committee members are replaced to preclude lengthy interruption of the prosecution process. Until the RTG provides a viable mechanism for all of its financial institutions to be examined for compliance with the AMLA, Thailand's AML/CFT regime will not fully comport with international standards. Thailand should institute mandatory cross-border currency reporting requirements. The RTG should take steps to eliminate overlapping jurisdictions or to clarify investigative responsibilities. Additionally, the RTG should ensure its investigative agencies receive the appropriate training to enable them to competently perform their duties. The RTG should take additional measures to address the vulnerabilities presented by alternative remittance systems. The RTG should become a party to the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

Turkey

Turkey is an important regional financial center, particularly for Central Asia and the Caucasus, as well as for the Middle East and Eastern Europe. It continues to be a major transit route for Southwest Asian opiates moving to Europe. However, narcotics-trafficking is only one source of the funds laundered in Turkey. Other significant sources include invoice fraud and tax evasion, and to a lesser extent, smuggling, counterfeit goods, and forgery. Terrorist financing and terrorist organizations with suspected involvement in narcotics-trafficking and other illicit activities are also present in Turkey. Money laundering takes place in banks, non-bank financial institutions, and the underground economy. Informed observers estimate as much as 40 to 50 percent of the economic activity is derived from unregistered businesses. Money laundering methods in Turkey include: the large-scale cross-border smuggling of currency; bank transfers into and out of the country; trade fraud; and the purchase of high-value items such as real estate, gold, and luxury automobiles. Turkish-based traffickers transfer money and sometimes gold via couriers, the underground banking system, and bank transfers to pay narcotics suppliers in Pakistan or Afghanistan. Funds are often transferred to accounts in the United Arab Emirates, Pakistan, and other Middle Eastern countries.

Offshore Center: No

Free Trade Zones: Yes

There are 19 free trade zones (FTZ) in Turkey: Mersin, Antalya, Adana-Yumurtalik, Izmir, Denizli, Izmir Menemen, Istanbul Thrace, Istanbul Ataturk Airport, Istanbul Leather and Industry, Europe FTZ, Kocaeli, TUBITAK MAM Technology, Bursa, Trabzon, Rize, Samsun, Mardin, Gaziantep and Kayseri. These FTZs have a wide range of activities, including manufacturing, trading, storing, packing, banking and finance, software, and research and development. All the companies wishing to operate in FTZs must apply to the FTZ's General Directorate in the Foreign Trade Undersecretariat. Full identification of all applicants is required. The companies are also required to report on their activities to the zone directorate, which regularly sends reports to the Undersecretariat. The General Directorate of FTZs has

the authority to cancel operating licenses if the companies are involved in activities not included in the initial description of their field of activity, or if they fail to pay taxes. The companies are also required to submit identification information on any personnel they employ or dismiss during their time of activity in the zone.

Criminalizes narcotics money laundering: Yes

Turkey's Law on Prevention of Money Laundering, most recently amended in September 2009 and numbered 5918, criminalizes money laundering. It provides for penalties of three to seven years in prison for money launderers, a fine of 20,000 TL (approximately $13,700) plus asset forfeiture provisions.

Criminalizes other money laundering, including terrorism-related: Yes

The present code defines money laundering predicate offenses as all offenses for which the punishment is imprisonment for one year or more.

Criminalizes terrorist financing: Yes

Existing Turkish law criminalizing terrorist financing include: Articles 2, 7, and 8 of the Law to Fight Terrorism numbered 3713; and various articles of the penal code which can be used to punish the financing of terrorism. A separate law, Number 5549 (October 2006), includes significant provisions to prevent money laundering and terrorist financing. The laws are limited to acts committed by members of organizations operating against the Turkish Republic, so the collection, donation and movement of funds by terrorist organizations would not be prohibited if the funds could not be linked to a specific domestic terrorist act. Turkey issued additional regulations to combat terrorist financing in January 2008.

Know-your-customer rules: Yes

Under a 2007 Ministry of Finance (MOF) banking regulation circular, all banks and regulated financial institutions, including the Central Bank, securities companies, post office banks, and Islamic financial houses are required to record tax identity information for all customers opening new accounts, applying for checking accounts, or cashing checks. The circular also requires exchange offices to sign contracts with their clients. The MOF also mandates that a tax identity number be used for all financial transactions.

Bank records retention: Yes

The Council of Ministers passed a set of regulations that requiring know-your-customer provisions and bank maintenance of transaction records for five years.

Suspicious transaction reporting: Yes

Turkish law provides safe harbor protection to the filers of suspicious transaction reports (STRs). The law also covers a range of entities subject to reporting requirements, to include several designated non-financial businesses and professions (DNFBPs), such as art dealers, insurance companies, lotteries, vehicle sales outlets, antique dealers, pension funds, exchange houses, jewelry stores, notaries, sports clubs, and real estate companies. In November 2007, the Government of Turkey (GOT) issued a General Communiqué of Suspicious Transaction Reporting Regarding Terrorist Financing to require the reporting of suspicious transactions related to terrorist financing.

MASAK, the Financial Crimes Investigation Board, is Turkey's financial intelligence unit (FIU). MASAK receives, analyzes, and refers STRs for investigation. In 2008, 4,924 STRs were filed, of which 228 were linked to terrorist financing activities. Nine were from brokerage houses, 15 were from factoring entities, and 10 were from insurance companies. As of October 2009, there have been 7,797 STRs filed.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture: Yes

Turkey has a system for identifying, tracing, freezing, and seizing assets that are not related to terrorism, although the law allows only for their criminal, not administrative, forfeiture. Applicable law provides for the confiscation after conviction of all property and assets (including derived income or returns) that are the proceeds of a money-laundering predicate offense. The law allows for the confiscation of the instrumentalities of money laundering and the equivalent value of direct proceeds that could not be seized. The defendant must own the property subject to forfeiture. Legitimate businesses can be seized if used to launder drug money or support terrorist activity, or are related to other criminal proceeds.

Narcotics asset sharing authority:

There is no specific provision in Turkish law for the sharing of seized assets with other countries; however the United States and Turkey shared seized assets in one narcotics case.

Cross-border currency transportation requirements: Yes

Travelers may take up to $5,000 (approximately 7,750 Turkish Lira) or its equivalent in foreign currency notes out of the country. Turkey does have cross-border currency reporting requirements, and the law gives Customs officials the authority to sequester valuables of travelers who make false or misleading declarations and impose fines for such declarations. The currency reporting thresholds and whether the requirements are both in and outbound are not known.

Cooperation with foreign governments:

There are no known impediments to cooperation.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

According to MASAK statistics, as of December 31, 2008 it had pursued 1532 money laundering investigations since 2003. Of these, 459 were referred for further investigation, but only 19 cases resulted in convictions. There are still 188 cases pending in the courts. Moreover, all of the convictions are reportedly under appeal. There is a lack of specialization and understanding of AML/CFT provisions among relevant authorities, which has contributed to the high number of acquittals in money laundering cases. In 2008, the GOT opened 34 money laundering cases, of which seven resulted in a conviction. It should be noted there is no way to corroborate the accuracy of these statistics, as Turkish Criminal Court records are closed to the public.

The GOT's non-profit sector is vulnerable to terrorist financing. Turkey's investigative powers, law enforcement capability, oversight and outreach are weak and lacking in all the necessary tools and expertise to effectively counter this threat through a comprehensive approach; all these areas need to be strengthened. The nonprofit sector is not audited on a regular basis for counter-terrorist finance vulnerabilities and does not receive adequate anti-money laundering/counter-terrorist financing (AML/CFT) outreach or guidance from the GOT. The General Director of Foundations (GDF) issues licenses for charitable foundations and oversees them. However, there are a limited number of auditors to cover more than 70,000 institutions

Turkey has not taken sufficient steps to implement an effective regime to combat terrorist financing, especially as it relates to UNSCRs 1267 and 1373. For example, while the GOT has implemented UNSCR 1267, it has failed to establish punishment or sanctions for institutions that fail to observe a freezing order, and it has not established procedures for delisting entities or unfreezing funds. Additionally, the GOT has not taken steps that would allow it to freeze the assets of entities designated by other jurisdictions, as required under UNSCR 1373.

U.S.-related currency transactions:

No information provided.

Records exchange mechanism with U.S.:

Turkey and the United States have a Mutual Legal Assistance Treaty (MLAT) and cooperate closely on narcotics and money laundering investigations. Turkey and the United States are both members of the Egmont Group and occasionally exchange financial intelligence.

International agreements:

The GOT cooperates closely with its neighbors in the Southeast Europe Cooperation Initiative (SECI).

Turkey is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

Turkey is a member of the FATF. It's most recent 2007 mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/14/7/38341173.pdf

Recommendations:

The Government of Turkey (GOT) should regulate and investigate remittance networks to thwart their potential misuse by terrorist organizations or their supporters. The GOT should expand its narrow legal definition of terrorism and take steps to fully implement UNSCRs 1267 and 1373. The GOT must also strengthen its oversight of foundations and charities, which currently receive only cursory overview and auditing. AML and CFT prosecutions, convictions, and penalties remain low and many have been overturned on appeal. In order to better investigate and prosecute cases, law enforcement and judicial authorities should enhance their knowledge of AML/CFT issues and what constitutes an offense.

Ukraine

In the Ukraine, high risks of money laundering have been identified in foreign economic activities, credit and finance, the fuel and energy industry, and the metal and mineral resources market. Illicit proceeds are primarily generated through corruption, fictitious entrepreneurship, fraud, drug trafficking, arms trafficking, organized crime, prostitution, tax evasion, and trafficking in persons. Various laundering methodologies are used including the use of real estate, insurance, bulk cash smuggling, and financial institutions

Offshore Center: No

Free Trade Zones: Yes

In 2005, the Government of Ukraine (GOU) eliminated the tax and customs duty privileges available in 11 Special Economic Zones (SEZs) and nine Priority Development Territories (PDTs) operating within Ukraine, which have been associated with rampant evasion of customs duties and taxes.

Criminalizes narcotics money laundering: Yes

In November 2002, Ukraine enacted an anti-money laundering (AML) package entitled "On Prevention and Counteraction of the Legalization (Laundering) of the Proceeds of Crime" (the Basic AML Law), which serves as the legal basis for a national anti-money laundering/counter-terrorist financing (AML/CFT) regime. Specific elements of the money laundering offense are also contained in Article 306 of the Criminal Code, which addresses laundering of proceeds generated from drug trafficking.

Criminalizes other money laundering, including terrorism-related: Yes

With the exception of market manipulation and financing of terrorism (in all its forms) the range of offenses set out in the Criminal Code which are predicate offenses to money laundering include all

categories of offenses included in the international standards. However, certain offenses and acts are not sufficiently covered.

On November 6, 2009, Parliament passed significant amendments to the Basic AML law, designed to address many of the identified deficiencies and to take significant steps to bring the regime into compliance with international standards. However, the President vetoed the bill on December 8 in response to pressure from the financial community, which complained of onerous additional reporting requirements.

Criminalizes terrorist financing: Yes

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

The Ukrainian legal framework does not criminalize terrorist financing as an autonomous offense. The terrorism offense is criminalized in article 258 of the Criminal Code. However, the Criminal Code only provides for the criminalization of terrorist financing based on funding linked to a specific terrorist act and does not cover sole funding for an individual terrorist or a terrorist organization.

Know-your-customer rules: Yes

The legal framework for customer due diligence is set out in a variety of documents. All types of financial institutions are covered by AML/CFT obligations for customer due diligence through a combination of the Basic AML Law, the Law on Financial Services and State Regulation of Financial Markets, and the Law of Ukraine on Securities and Stock Market. The measures apply to legal persons, authorized representatives, and beneficial owners. Additional requirements stipulate the procedures for conducting customer identification that apply to non-banking institutions, insurance companies, gambling institutions, credit unions, depositories, securities traders, registers, pawn shops, and leasing providers.

Bank records retention: Yes

Article 5 of the Basic AML Law requires financial institutions to keep documents on financial transactions for five years following the completion of the transaction. The Law on Banks and Banking repeats this requirement. However, non-bank financial institutions are not required to maintain such records. There is also no requirement that transaction records should be sufficient to permit reconstruction of individual transactions.

Suspicious transaction reporting: Yes

The Basic AML Law requires reporting to the financial intelligence unit (FIU) of all transactions that appear to be suspicious and certain forms of attempted transactions. However, there is no explicit legal requirement to report all types of attempted transactions, not just those that have been refused by the obligated entities. There are few STRs regarding terrorist financing. According to the Basic AML Law, there is no reporting threshold for suspicious transactions.

Large currency transaction reporting: Partially

Any transaction of 80,000 UAH (approximately $9,300), or foreign currency equivalent, must be reported if the transaction meets one of several suspicious activity criteria set out in article 11 of the Basic AML Law. In 2008, the FIU received 1,083,461 transaction reports, which include STRs and large currency transaction reports, and sent 641 separate cases to law enforcement agencies.

Narcotics asset seizure and forfeiture:

Ukraine has a general asset forfeiture regime that is largely an inappropriate and ineffective relic of Soviet-era legislation. Article 59 of the Ukrainian Criminal Code provides for the mandatory seizure of all or a part of the property of any person convicted for "grave or particularly grave offenses," as defined in the code, regardless of whether this property bore any relation to the crime of conviction. With respect

to money laundering, Article 209 allows for the forfeiture of criminally obtained money and other property. However, confiscation of instrumentalities intended for use in the commission of a money laundering offense; property of corresponding value; and income, profits or other benefits from the proceeds of crime do not appear to be captured by the Ukrainian legislation.

Narcotics asset sharing authority:

Ukrainian authorities have indicated that sharing of confiscated assets with other countries might be resolved by bilateral agreements on coordination of seizure and confiscation actions. Mechanisms for international cooperation on confiscation measures have not yet been tested. Civil confiscation orders are not recognized in the Ukrainian criminal legislation.

Cross-border currency transportation requirements: Yes

Cash smuggling is substantial in Ukraine, although it is reportedly more related to unauthorized capital flight than to criminal proceeds or terrorist funding. Beginning in May 2008, as a result of amendments to the "Resolution on the Adoption of Instructions Regarding Movement of Currency, Precious Metals, Payment Documents, and Other Banking Documents over the Customs Border of Ukraine," travelers must declare both inbound and outbound cross-border transportation of cash exceeding euro 10,000 (approximately $14,100) and name the origin of such funds. Precious metals also subject to reporting are defined as gold, silver, and platinum. Persons may not import or export precious metals exceeding 500g in weight without a written declaration submitted to customs.

Cooperation with foreign governments:

Ukraine provides mutual legal assistance (MLA) on the basis of multilateral international treaties and bilateral agreements, and in the absence of an agreement, requests for legal assistance are considered on the basis of the reciprocity principle via diplomatic channels. The Basic AML Law provides that the FIU shall cooperate internationally to exchange experience and information with relevant foreign agencies on the basis of international agreements in force or on a reciprocity basis.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Ukraine's AML/CFT legal framework is significantly deficient in that the laws do not provide for autonomous prosecution of money laundering - a money laundering conviction requires prior or simultaneous conviction for a predicate offense linked to the laundered proceeds; cover all predicate crime categories; cover conversion or transfer of property; or cover terrorist financing in all its aspects or as a separate offense. In addition, Ukraine appears to have serious difficulties implementing the law.

Ukraine's customer due diligence (CDD) regime does not adequately cover all institutions and types of transactions. For example, the definition of beneficial owner does not cover natural persons, and there is no requirement that financial institutions determine the identity of the natural persons who ultimately own or control the customer; securities institutions are only required to identify the control structure and beneficial owners of the customer and to obtain information on the purpose and nature of the business relationship in higher risk situations; there is no specific requirement for any institution to conduct ongoing due diligence; and, there is no general requirement to perform enhanced due diligence for higher risk categories of customers, business relationships or transactions.

Suspicious transaction reporting requirements are not well understood outside of the banking sector. Additionally, there is a pronounced lack of guidance to reporting institutions on how to detect suspicious transactions related to terrorism.

Ukraine lacks any functional regime for locating or seizing forfeitable assets. In particular, Ukraine lacks legislation allowing *in rem* forfeiture or the seizure of corporate assets, has no specialized asset forfeiture prosecutors or officials, and lacks any entity to administer forfeited assets.

In 2008, law enforcement agencies initiated 354 formal criminal investigations and submitted indictments in 117 of those cases; there were 76 convictions.

Through their regulatory agencies, banks and non-bank financial services receive the U.S. designations of suspected terrorists and terrorist organizations under Executive Order 13224 and other U.S. authorities and are instructed to report any transactions involving designated individuals or entities.

U.S.-related currency transactions:

The local currency (hryvnia) is tied to the dollar. Dollars and, increasingly, Euros are ubiquitous. It is the common view that dollars are for savings kept at home and for big purchases, while hryvnias are for day-to-day expenses. Ukrainians are still mistrustful of their monetary system so many people still prefer to secrete dollars in hiding places rather than deposit them in a bank.

Records exchange mechanism with U.S.:

The U.S.-Ukraine Treaty on Mutual Legal Assistance in Criminal Matters entered into force in February 2001. A bilateral Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, which provides for the exchange of information in administrative, civil, and criminal matters, is also in force.

International agreements:

As of December 2009, the FIU has signed memoranda of understanding (MOUs) with the FIUs of 46 countries. In July, 2009, Ukraine amended the law on Banks and Banking to permit international exchange of information between the National Bank and respective regulators of other countries for purposes of combating money laundering.

Ukraine is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism -Yes
- the UN Convention against Transnational Organized Crime -Yes
- the 1988 UN Drug Convention -Yes
- the UN Convention against Corruption - Yes

Ukraine is a member of MONEYVAL and an observer to the Eurasian Group on Combating Money Laundering and the Financing of Terrorism (EAG), both Financial Action Task Force-style regional bodies. Ukraine's most recent mutual evaluation can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/Evaluation_reports_en.asp

Recommendations:

The Government of Ukraine (GOU) has strengthened and clarified its legislation and established a comprehensive anti-money laundering regime. However, Ukraine's ability to implement this regime through consistent successful criminal prosecutions has yet to be proven. The GOU should adopt draft legislation to bring its AML/CFT regime into closer accordance with both the language and the intent of international standards. The recent veto of amendments that would do just this is unfortunate. The GOU also should consider carefully the consequences of reestablishing tax and customs privileges that have been abused in the past. Ukraine should provide guidance to all reporting institutions, bank and non-bank, on the reporting requirements for suspicious transactions related to both money laundering and terrorist financing. Law enforcement officers, customs, and the judiciary need a better understanding of the theoretical and practical aspects of identifying, investigating and prosecuting money laundering cases, especially in the regions where implementation is poor. The GOU also should more aggressively address public corruption by investigating, prosecuting and convicting corrupt public officials.

United Arab Emirates

The United Arab Emirates (UAE) is an important financial center in the Gulf region. Dubai, in particular, is a major international banking and trading center. The country also has a growing offshore financial free zone. The UAE's robust economic development, political stability, and liberal business environment have attracted a massive influx of people, goods, and capital, which makes the country susceptible to possible money laundering activities. The UAE also is susceptible to money laundering due to its geographic location as the primary transportation and trading hub for the Gulf States, East Africa, and South Asia; longstanding trade relations with Iran; its expanding trade ties with the countries of the former Soviet Union; and lagging relative transparency in its corporate environment.

The potential for money laundering is exacerbated by the large number of resident expatriates (roughly 80—85 percent of total population) who send remittances to their homelands. However, in 2009 the Ministry of Labor introduced a new electronic wage protection system, designed to replace cash salary payments with direct deposits into a personal bank account. Given the country's proximity to Afghanistan, narcotics traffickers are increasingly reported to be attracted to the UAE's financial and trade centers. Other money laundering vulnerabilities in the UAE include hawala, trade fraud, smuggling, the real estate sector, the misuse of the international gold and diamond trade, the misuse of shell companies and the use of UAE-based companies to assist in transactions that violate U.S. and/or U.N sanctions. Reportedly, the UAE is used as a financial center by pirate networks operating off the coast of Somalia and for corrupt officials in Afghanistan and Pakistan.

Offshore Center: Yes

In March 2004, the Government of the UAE (GUAE) passed Federal Law No. 8, regarding the Financial Free Zones (FFZs) (Law No. 8/2004). Although the new law exempts FFZs and their activities from UAE civil and commercial laws, FFZs and their operations are still subject to federal criminal laws including the Anti-Money Laundering Law (Law No. 4/2002) and the Anti-Terror Law (Law No. 1/2004). As a result of Law 8/2004 and a subsequent federal decree, the UAE's first financial free zone (FFZ), known as the Dubai International Financial Center (DIFC), was established in September 2004, supervised by the Dubai Financial Services Authority (DFSA). By September 2005, the DIFC had opened its securities market, the Dubai International Financial Exchange (DIFX). The law prohibits companies licensed in the FFZ from dealing in UAE currency (i.e., dirham), or taking domestic deposits. Further, the law stipulates that the licensing standards of companies shall be comparable to those for domestic companies. Insurance activities conducted in the FFZ are limited by law to reinsurance contracts only.

Free Trade Zones: Yes

The number of FTZs is growing, with 38 currently operating in the UAE. Every emirate has at least one functioning FTZ. There are over 5,000 multinational companies located in the FTZs, and thousands more individual trading companies. The FTZs permit 100 percent foreign ownership, no import duties, full repatriation of capital and profits, no taxation, and easily obtainable licenses. Companies located in the free trade zones are considered offshore or foreign entities for legal purposes. However, UAE law prohibits the establishment of shell companies and trusts, and does not permit nonresidents to open bank accounts in the UAE. The larger FTZs in Dubai are well-regulated.

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

The UAE has enacted the Anti-Money Laundering Law No. 4/2002, and the Anti-Terrorism Law No. 1/2004. Both pieces of legislation, in addition to the Cyber Crimes Law No. 2/2006, serve as the foundation for the country's anti-money laundering/counter-terrorist financing (AML/CFT) efforts. Law No. 4/2002 criminalizes all forms of money laundering activities.

Criminalizes terrorist financing: Yes

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

In July 2004, the UAE government strengthened its legal authority to combat terrorism and terrorist financing by passing Federal Law Number No. 1/2004. The law specifically criminalizes the funding of terrorist activities and terrorist organizations.

Know-your-customer rules: Yes

Administrative Regulation No. 24/2000 requires banks, money exchange houses, finance companies, and any other financial institutions to follow customer due diligence procedures for accountholders and to verify a customer's identity and maintain transaction details (i.e., name and address of originator and beneficiary) for all exchange house transactions over the equivalent of $545 and for all non-accountholder bank transactions over $10,900. The regulation delineates the procedures to be followed for the identification of natural and juridical persons. Amendments to the Regulations in July 2006 add enhanced due diligence requirements for charities; and, in August 2009, the Central Bank issued a circular instructing local banks not to handle accounts belonging to politically exposed persons (PEPs).

Bank records retention: Yes

Regulation 24/2000 calls for customer records to be maintained for a minimum of five years and further requires they be periodically updated as long as the account is open.

Suspicious transaction reporting: Yes

In the first five months of 2009, 6,198 suspicious transaction reports (STRs) were filed. In 2008, 13,101 STRs were filed. Of the total STRs filed in the UAE from 2002 to date, 285 have been referred to the UAE Public Prosecutor's office, of which 20 have reached the courts.

Large currency transaction reporting:

Law No. 4/2002 calls for stringent reporting requirements for wire transfers exceeding 2000 dirhams (approximately $545) and currency imports above 40,000 dirhams (approximately $10,900).

Narcotics asset seizure and forfeiture:

Law No. 1/2004, addressing terrorism and terrorist financing, also provides for asset seizure and confiscation. Article 31 gives the Attorney General the authority to seize or freeze assets until the investigation is completed. Article 32 confirms the Central Bank's authority to freeze accounts for up to seven days if it suspects the funds will be used to fund or commit any of the crimes listed in the law. Amendments to the Central Bank Regulations 24/2000 in July 2006 require financial institutions to freeze transactions they believe may be destined for funding terrorism, terrorist organizations, or for terrorist purposes.

Narcotics asset sharing authority: No

Cross-border currency transportation requirements:

The Central Bank requires any cash imports over the equivalent of $10,900 to be declared to Customs; otherwise undeclared cash may be seized upon attempted entry into the country. However, enforcement mechanisms are ineffectual and failure to declare is not specifically penalized. Because movements of bulk cash across borders is often used to support trade for countries in the region with underdeveloped banking systems, customs officials, police, and judicial authorities tend to not regard large cash imports as potentially suspicious or criminal activities, and it is not unusual for people to carry significant sums of cash. The UAE has not set any limits on the amount of cash that can be imported into or exported from the country. No reporting requirements currently exist for cash exports, constituting a significant vulnerability in the UAE's enforcement regime.

Cooperation with foreign governments (including refusals):

There is a reference in UAE law that enables the UAE to provide international "judicial" cooperation, but this provision has been interpreted narrowly. However, there have been recent examples of UAE cooperation in pending US criminal cases, including the production of financial records and the identification of criminal assets.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

The free trade zones are monitored by the local emirate rather than federal authorities. Although some trade-based money laundering undoubtedly occurs in the large FTZs, a higher potential for financial crime exists in some of the smaller FTZs located in the northern emirates. The UAE is also a hub for re-export activity that permits Iran to evade internationally imposed sanctions.

Although firms operating in the DIFC are subject to Law No. 4/2002, the DFSA has issued its own anti-money laundering regulations and supervisory regime, which has caused some ambiguity about the Central Bank's and the FIU's respective authorities within the DIFC.

No cross-border currency transportation reporting requirements currently exist for cash exports.

In 2003, the Central Bank issued regulations to help improve the oversight of hawala, including registration of hawala brokers. The regulations require hawaladars to submit the names and addresses of all originators and beneficiaries of funds and to file STRs on a monthly or quarterly basis. However, since the inception of the program, there reportedly have not been any STRs filed by hawaladars.

The Central Bank states it circulates an updated UNSCR 1267 Sanctions Committee's consolidated list of suspected terrorists and terrorist organizations to all the financial institutions under its supervision.

In June 2009, a Dutch suspect was arrested in Dubai for suspected involvement in international money laundering, reportedly based on an Interpol request. The accused, who was looking to open a commercial company in a UAE free trade zone, was suspected of being part of a European gang involved in drug trafficking and of supplying South American narcotics to European countries and South Africa. Dubai Police also reported the disruption of a narcotics-related international money laundering operation worth $28 billion.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

There is no mutual legal assistance treaty (MLAT) between the U.S. and the UAE, which has historically prevented timely UAE compliance with US investigative requests in financial crimes cases. However, the UAE Attorney General has expressed an interest in removing certain preconditions that have historically prevented the signing of an MLAT with the U.S., and discussions between the U.S. and the UAE on this issue are anticipated to be ongoing. The UAE FIU exchanges and shares information with FinCEN, the FIU of the United States. The DFSA has a memorandum of understanding (MOU) with the U.S. Commodity Futures Trading Commission. On October 23, 2007, the DFSA entered into a MOU with the five U.S. banking supervisors.

International agreements:

The DFSA has undertaken a campaign to reach out to other international regulatory authorities to facilitate information sharing. The DFSA has MOUs with more than 41 other regulatory bodies, including the UK's Financial Services Authority and the Securities and Exchange Board of India. The UAE Central Bank has signed a number of MOUs with Egmont member countries, including Nigeria, the

Philippines, Canada and Holland, and continues this effort. In May 2008, the UAE and Russia signed an executive plan for enforcement of the Anti-Crime Cooperation Agreement.

The UAE is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

The UAE is a member of The Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force-style regional body. It's most recent mutual evaluation can be found here: www.MENAFATF.org

Recommendations:

The Government of the UAE (GUAE) has shown some progress in enhancing its AML/CFT program. However, several areas continue to need further action by the GUAE. Most importantly, the UAE should adopt outbound cash and gold declaration requirements, a key vulnerability in the UAE's AML/CFT regime. Additionally, law enforcement and customs officials should be more proactive in developing cases based on investigations, rather than on STRs, and should step up inquiries into large and undeclared cash imports into the country. The GUAE should continue to strengthen its regulatory and enforcement regime to interdict potential illicit cash couriers transiting major airports. All forms of trade-based money laundering must be given greater scrutiny by UAE customs and law enforcement officials, including customs fraud, the trade in gold and precious gems, commodities used as counter-valuation in hawala transactions, and the misuse of trade to launder narcotics proceeds. The UAE FIU remains under-resourced and lacks investigative capacity. The GUAE should increase the resources it devotes to supervision and investigation of AML/CFT both federally and at the emirate level, including ensuring all free trade zones are adequately supervised. Moreover, the absence of meaningful statistics across all sectors is a significant hindrance to the assessment of the effectiveness of the AML/CFT program. The Central Bank should review the effectiveness of its hawaladar registration and dramatically step up its enforcement and oversight of this sector. The UAE should also continue its regional efforts to promote sound charitable oversight. Action also should be taken to clamp down on Iranian activity in the UAE that evades international sanctions regimes.

United Kingdom

The United Kingdom (UK) plays a leading role in European and world finance and remains attractive to money launderers because of the size, sophistication, and reputation of its financial markets. Although narcotics are still a major source of illegal proceeds for money laundering, the proceeds of other offenses, such as financial fraud and the smuggling of people and goods, have become increasingly important. The past few years have witnessed the movement of cash placement away from banks and mainstream financial institutions as these entities have tightened their controls and increased their vigilance. The use of bureaux de change, cash smugglers (into and out of the UK), and traditional gatekeepers (including solicitors and accountants) to move and launder criminal proceeds has been increasing. Also on the rise are credit/debit card fraud and the purchasing of high-value assets to disguise illegally obtained money. Additionally, the Internet increasingly provides criminals with a variety of money making opportunities and methods to launder funds.

The UK Threat Assessment conducted by the Serious Organized Crime Agency (SOCA) estimated the annual proceeds from crime were between £19 billion (approximately $32 billion) and £48 billion (approximately $80 billion) with £25 billion (approximately $42 billion) representing a realistic figure for the amount laundered each year.

Offshore center: No

Free trade zones: Yes

The UK has five designated Free Zones in which non-European Union (EU) goods are treated as outside the customs territory of the EU for the purposes of import duties until the goods are released for free circulation. Import VAT and excise duty are also suspended until the goods are removed to the UK market or used or consumed within the Free Zone. The Free Zones are located in Liverpool, Prestwick, Port of Sheerness, Southampton, and Port of Tilbury.

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

The Proceeds of Crime Act (POCA) of 2002 consolidates and expands pre-existing legislation criminalizing money laundering. POCA covers all crimes as predicate offenses. It also creates a new criminal offense, applicable to all regulated sectors, of failing to disclose suspicious transactions.

Criminalizes terrorist financing: Yes

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

The Terrorism Act of 2000 criminalizes terrorist financing. Additionally, the Terrorism (United Nations Measures) Order 2006 and the Al-Qaida and the Taliban (United Nations Measures) Order 2006 provide the Treasury with designation authority. The Counter-Terrorism Act of 2008 (CTA) came into effect on November 27, 2008. Schedule 7 of the CTA gives the Treasury additional powers to act against terrorist financing and money laundering.

Know-your-customer rules: Yes

The Money Laundering Regulations of 2007 implement in part the EU's Third Money Laundering Directive and include an obligation to establish and maintain appropriate and risk-sensitive policies and procedures relating to customer due diligence measures and ongoing monitoring, reporting, record keeping, and risk assessment. Covered entities include credit and financial institutions, auditors, accountants, tax advisers and insolvency practitioners, independent legal professionals, trust or company service providers, estate agents, high value dealers, and casinos.

Bank records retention: Yes

Pursuant to the Money Laundering Regulations of 2007, relevant persons must retain transaction records and identity verification documents for at least five years.

Suspicious transaction reporting: Yes

Business sectors subject to formal suspicious transaction reporting (STR) requirements include attorneys, solicitors, accountants, real estate agents, and dealers in high-value goods, such as cars and jewelry. Sectors of the betting and gaming industry that are not currently regulated are being encouraged to establish their own codes of practice, including a requirement to disclose suspicious transactions. In fiscal year 2008, 210,524 STRs were filed with the UK Financial Intelligence Unit (UK FIU).

Large currency transaction reporting:

The UK government considered the feasibility of a fixed threshold currency transaction reporting system, but made a policy decision not to introduce such a system.

Narcotics asset seizure and forfeiture:

UK legislation, most notably the Serious Crime Act of 2007 which consolidates existing laws on forfeiture and money laundering, provides for the confiscation of laundered property which represents proceeds from, instrumentalities used in, and instrumentalities intended for use in the commission of money laundering, terrorist financing, or other predicate offenses, and property of corresponding value.

The UK has in place four different schemes for confiscation and recovery with regard to proceeds of crime: confiscation following a criminal conviction, civil recovery, taxation, and seizure-forfeiture of cash.

Narcotics asset sharing authority:

The UK is able to share confiscated and forfeited assets with other countries that have assisted operations to bring the confiscation to fruition. The UK has authority to share up to 50% of the proceeds of confiscation, net of costs. The UK can share with other countries on an ad hoc case-by-case basis.

Cross-border currency transportation requirements: Yes

The Control of Cash (Penalties) Regulations of 2007 provides for penalties for failing to declare movement of cash amounting to €10,000 (approximately $14,500) or more into and out of the European Community.

Cooperation with foreign governments: Yes

The UK cooperates with international anti-money laundering authorities on regulatory and criminal matters.

U.S. or international sanctions or penalties: No.

Enforcement and implementation issues and comments:

Businesses in the UK that are particularly attractive to money launderers are those with high cash turnovers and those involved in overseas trading. Illicit cash is consolidated in the UK, and then moved overseas where it can enter the legitimate financial system, either directly or by other means such as purchasing property or trade goods. Because cash is the mainstay of the illicit narcotics trade, traffickers make extensive use of money transmission agents (MTA), cash smuggling, and alternative remittance systems such as hawala to transfer money and value from the UK.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

A Mutual Legal Assistance Treaty (MLAT) between the US and the UK has been in force since 1996, and the two countries signed a reciprocal asset sharing agreement in 2003. There is a memorandum of understanding (MOU) in force between the U.S. Immigration and Customs Enforcement and HM Revenue and Customs. The U.S. Department of Treasury's Financial Crimes Enforcement Network also signed a MOU with the UK in 1995 and regularly exchanges information with the UK FIU.

International agreements:

The UK is a party to various information exchange agreements with countries in addition to the United States. Authorities can share information or provide assistance to foreign jurisdictions in matters relating to money laundering or other financial crimes without need for a treaty. While the UK legislative framework does not require MLATS, the UK has signed treaties with over 30 countries in order to execute requests.

The UK is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

The UK is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here:

http://www.fatf-gafi.org/dataoecd/55/29/39064399.pdf

Recommendations:

The United Kingdom has a comprehensive AML/CFT regime. The UK should continue its active participation in international fora and its efforts to provide assistance to jurisdictions with nascent or developing anti-money laundering/counter-terrorist financing regimes.

Uruguay

Uruguay's financial system remains vulnerable to the threats of money laundering and terrorist financing. Officials from the Uruguayan police and judiciary assess that there is a growing presence of Mexican and Colombian cartels in the Southern Cone and fear they will begin operating in earnest in Uruguay. Drug dealers are slowly starting to participate in other illicit activities like car theft and trafficking in persons. The Government of Uruguay (GOU) acknowledges that there is a growing risk of money laundering in the real estate sector, in free zones and in bureaus that administer corporations.

Offshore Center: Yes

The six offshore banks are subject to the same laws, regulations, and controls as local banks, with the GOU requiring them to be licensed through a formal process that includes a background investigation of the principals. Offshore trusts are not allowed. Bearer shares may not be used in banks and institutions under the authority of the Central Bank, and any share transactions must be authorized by the Central Bank.

Free Trade Zones: Yes

There are 12 free trade zones located throughout the country. While most are dedicated almost exclusively to warehousing, two were created exclusively for the development of the paper and pulp industry, and three accommodate a wide variety of tenants offering a wide range of services, including financial services. Some of the warehouse-style free trade zones have been used as transit points for containers of counterfeit goods bound for Brazil and Paraguay.

Criminalizes narcotics money laundering: Yes

Money laundering is criminalized under Law 17.343 of 2001, Law 17.835 of 2004, and Law 18.494 of 2009. Decrees 296/09 and 305/09 (from June 22, 2009 and October 26, 2009, respectively) create the first "Comprehensive Permanent National Plan against Drug Trafficking and Money Laundering."

Criminalizes other money laundering, including terrorism-related: Yes

Law 17.343 identifies money laundering predicate offenses to include narcotics-trafficking; corruption; terrorism; smuggling (of items valued at more than $20,000); illegal trafficking in weapons, explosives and ammunition; trafficking in human organs, tissues, and medications; trafficking in human beings; extortion; kidnapping; bribery; trafficking in nuclear and toxic substances; and illegal trafficking in animals or antiques. Law 18.494 incorporates seven new predicate offenses: fraud; embezzlement; fraudulent bankruptcy; fraudulent insolvency; offenses against trademarks and intellectual property rights; offenses related to trafficking in persons and sexual exploitation; and counterfeiting or alteration of currency.

Criminalizes terrorist financing: Yes

Law 17.835 and Law 18.494 significantly strengthen the GOU's anti-money laundering/counter-terrorist financing (AML/CFT) regime by including specific provisions related to terrorist financing and the freezing of assets linked to terrorist organizations. Under Law 17.835, terrorist financing is a separate,

autonomous offense. Under Law 18.494 a direct relationship between the funds provided and a terrorist act is no longer required as the following have been included as elements of the offense: a) that the purpose is to finance a terrorist organization, a member of a terrorist organization, or an individual terrorist, and b) that it is an offense regardless of whether a terrorist act is committed.

Know-your-customer rules: Yes

Obligated entities are mandated to know their customers. Under Law 17.835, all obligated entities must implement AML policies, such as thoroughly identifying customers, recording transactions of more than $10,000 in internal databases, and reporting suspicious transactions to the financial intelligence unit (FIU). This obligation extends to all financial intermediaries, including banks, currency exchange houses, stockbrokers, insurance companies, casinos, art dealers, and real estate and fiduciary companies. Lawyers, accountants, and other non-banking professionals that habitually carry out financial transactions or manage commercial companies on behalf of third parties are also required to identify customers whose transactions exceed $15,000 and report suspicious activities of any amount.

Bank records retention:

Obligated entities are mandated to know their customers on a permanent basis, keep adequate records and report suspicious activities to the FIU.

Suspicious transaction reporting: Yes

Law 18.494 obliges ten new types of individuals or enterprises to report unusual or suspicious transactions: businesses that perform safekeeping, courier or asset transfer services; professional trust managers, investment advisory services; casinos; real estate brokers and intermediaries; notaries, when carrying out certain operations; auctioneers; dealers in antiques, fine art and precious metals or stones; free trade zones operators; and natural or judicial persons who carry out transactions or administer corporations on behalf of third parties. The law also requires reporting of suspected terrorist financing activity. Fines can be levied for failure to report.

The FIU received 174 suspicious transaction reports (STRs) in 2009. Banks and exchange houses accounted for 60 percent and 19 percent of total reports, respectively. In 2009, eight cases stemming from STRs were sent to prosecutors. Four cases stemming from STRs have ended in prosecutions in recent years.

Large currency transaction reporting: Yes

Central Bank Circular 1.978 mandates financial intermediaries to report the conversion of foreign exchange or precious metals over $10,000 into cash, bank checks, deposits or other liquid instruments; cash withdrawals over $10,000; and wire transfers over $1,000.

Narcotics asset seizure and forfeiture:

The courts have the power to seize and confiscate property, products or financial instruments linked to money laundering activities. Law 18.494 improves the seizure regime by listing the kind of property that can be seized while establishing the possibility of seizing assets of similar worth or imposing a fine when listed property cannot be seized. Based on a prosecutor's request, courts can seize: prohibited narcotics and psychotropic substances confiscated in the investigation; property or instruments used in committing the criminal offense; property and products considered proceeds of the criminal offense. In 2009, the FIU froze $17 million in assets.

Narcotics asset sharing authority:

No information was available on the legal provisions addressing asset sharing authority. Both Uruguay and the U.S. have expressed their willingness to sign an agreement to share the value of assets seized in joint operations, but no progress has been made as of December 2009.

Cross-border currency transportation requirements: Yes

Law 17.835 and Law 18.494 extend reporting requirements to all persons entering or exiting Uruguay with more than $10,000 in cash or monetary instruments. New legislation and enforcement efforts resulted in the detection of $2.5 million in undeclared cross-border cash and other financial instrument movements.

Cooperation with foreign governments: Yes

Tax evasion is not an offense in Uruguay, which in practice limits cooperation possibilities because the FIU cannot share tax-related information with its counterparts.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Law 18.494, passed in June 2009, significantly upgrades Uruguay's AML efforts by giving national authorities more flexibility to fight money laundering and terrorist financing. The GOU applied the set of new investigative techniques (the use of collaborators and the improved electronic surveillance) provided by Law 18.494 for the first time. These recent developments have led to the prosecution of 39 individuals. The use of new techniques has triggered a moderate public debate over the need to keep a balance between investigative requirements, respect for the privacy of individuals, and potential uncertainty in the practice of law. There have been no reported cases or investigations related to terrorist financing.

The way real estate is registered complicates efforts to track money laundering in this sector, especially in the partially foreign-owned tourist sector. Authorities must obtain a judicial order to gain access to the names of titleholders.

The FIU has circulated to financial institutions the list of individuals and entities included in UN 1267 Sanctions Committee and published it on its web page.

U.S.-related currency transactions: No

Records exchange mechanism with U.S.:

Uruguay and the United States are parties to a mutual legal assistance treaty that entered into force in 1994.

International agreements:

The FIU may exchange information relevant to AML/CFT investigations and is becoming increasingly active in cooperation with counterpart FIUs and judiciaries from other countries. The FIU is not currently a member of the Egmont Group of Financial Intelligence Units.

Uruguay is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - Yes

The GOU is a member of the Organization of American States Inter-American Drug Abuse Control Commission (CICAD) Experts Group to Control Money Laundering. Uruguay is a founding member of the Financial Action Task Force of South America (GAFISUD), a Financial Action Task Force-style regional body. Its most recent evaluation can be found here:
http://www.gafisud.info/pdf/InformedeAvanceUruguay_1.pdf

Recommendations:

The Government of Uruguay (GOU) has taken significant steps over the past few years to strengthen its AML/CFT regime. To continue its recent progress, Uruguay should continue its implementation and enforcement of recently enacted legislation. The FIU should prioritize efforts to gain membership in the Egmont Group; such a step would enable it to share financial information with other FIUs globally. The GOU should exert greater vigilance in detecting undeclared and cross-border movements of cash and other monetary instruments. The GOU should enhance its regulation and monitoring of the real estate sector and sports industries.

Venezuela

According to the UNODC 2009 World Drug Report, Venezuela is one of the principal drug-transit countries in the Western Hemisphere. Venezuela's proximity to drug producing countries, weaknesses in its anti-money laundering regime, refusal to cooperate regularly with the United States in mutual legal assistance matters, including on counter-narcotics activities, and alleged substantial corruption in law enforcement and other relevant sectors continue to make Venezuela vulnerable to money laundering. The main sources of money laundering are proceeds generated by drug trafficking organizations, the embezzlement of funds from the petroleum industry, and illegal transactions that exploit Venezuela's currency controls. Trade-based money laundering, such as the Black Market Peso Exchange, through which money launderers furnish narcotics-generated dollars in the United States to commercial smugglers, travel agents, investors, and others in exchange for Colombian pesos, remains a prominent method for laundering regional narcotics proceeds. Venezuela is not a regional financial center and does not have an offshore financial sector, although many local banks have offshore affiliates in the Caribbean.

Offshore Center: No

Free Trade Zones: Yes

The Free-Trade Zone Law of Venezuela (1991) provides for free trade zones/free ports. The three existing free trade zones (FTZs) are located in the Paraguana Peninsula on Venezuela's northwest coast, Atuja in the State of Zulia, and Merida. These zones provide exemptions from most import and export duties and offer foreign-owned firms the same investment opportunities as host country firms. The Paraguana and Atuja zones provide additional exemption of local services such as water and electricity. Venezuela also has two free ports that also enjoy exemptions from most tariff duties: Margarita Island (Nueva Esparta) and Santa Elena de Uairen in the state of Bolivar. The FTZ law designates the customs authority of each jurisdiction as responsible for its respective FTZ. The Ministry of Economy and Finance is responsible for the oversight of the customs authority with regard to FTZs. It is reported that many black market traders ship their wares through Margarita Island's free port.

Criminalizes narcotics money laundering: Yes

The 2005 Organic Law against Organized Crime (OLOC) criminalizes money laundering as an autonomous offense.

Criminalizes other money laundering, including terrorism-related: Yes

Those who cannot establish the legitimacy of possessed or transferred funds, or are aware of the illegitimate origins of those funds, can be charged with money laundering. Predicate offenses for money laundering under the OLOC include: trafficking, trade, retailing, manufacture and other illicit activities connected with, inter alia, narcotics and psychotropic substances, child pornography, corruption, extortion, trafficking in persons and migrants, smuggling and other customs offenses. The most common predicate offenses for money laundering are illicit drug trafficking and trading.

Criminalizes terrorist financing: Yes

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

Under the OLOC, terrorist financing is a crime against public order in Venezuela and is criminalized to the extent that an individual finances, belongs to, acts or collaborates with armed bands or criminal groups with the purpose to commit violent acts or to subvert the constitutional order or gravely alter the public peace. Terrorist financing, however, is not adequately criminalized in accordance with international standards. The law does not establish terrorist financing as a separate crime, nor does it provide adequate mechanisms for freezing or confiscating assets.

Know-your-customer rules: *Yes*

Under the OLOC and Resolution 185.01 of the *Superintendencia de Bancos y Otras Instituciones Financieras* (SUDEBAN), anti-money laundering controls have been implemented that include strict customer identification requirements. These know-your-customer (KYC) controls apply to all banks (commercial, investment, mortgage, and private), insurance and reinsurance companies, savings and loan institutions, financial rental agencies, currency exchange houses, money remitters, money market funds, capitalization companies, frontier foreign currency dealers, casinos, real estate agents, construction companies, car dealerships, hotels and the tourism industry, travel agents, and dealers in precious metals and stones. In practice the institutions often have difficulty obtaining all the data or information for every customer.

Bank records retention: Yes

Banks and other financial institutions supervised by SUDEBAN are required to retain documents or records of customer transactions and business relationships for five years, including customer identification documentation.

Suspicious transaction reporting: Yes

The entities that must comply with KYC rules also are required to file suspicious and cash transaction reports with Venezuela's financial intelligence unit (FIU), the *Unidad Nacional de Inteligencia Financiera* (UNIF). However, insurance and reinsurance companies, tax collection entities and public service payroll agencies are not required to file suspicious transaction reports (STRs). The Venezuelan Association of Currency Exchange Houses (AVCC), which counts all but one of the country's money exchange companies among its membership, voluntarily complies with the same reporting standards as those required of banks. SUDEBAN Circular 3759 of 2003 requires its supervised financial institutions to report suspicious activities related to terrorist financing. The UNIF analyzes STRs and other reports, and refers those deemed appropriate for further investigation to the Public Ministry (the Office of the Attorney General). In 2009¸ 1,234 STRs were received by UNIF and 529 were forwarded to the Public Ministry.

Large cash transaction reports: Yes

The UNIF receives reports on currency transactions exceeding approximately $10,000. UNIF also receives reports on the sale and purchase, and the domestic transfer of foreign currency exceeding $10,000. An exemption process is available for customers who frequently conduct otherwise reportable currency transactions in the course of their businesses.

Narcotics asset seizure and forfeiture: Yes

The OLOC also expands Venezuela's mechanisms for freezing assets tied to illicit activities. A prosecutor may now solicit judicial permission to freeze or block accounts in the investigation of any crime included under the law. However, to date, there have been no significant seizures of assets and few if any successful money laundering prosecutions as a result of the law's passage.

Narcotics asset sharing authority: No

Cross-border currency transportation requirements:

Article 4 of the Law against Exchange Offenses stipulates that natural or legal persons who import or export foreign currency in an amount in excess of $10,000, or the equivalent in other currencies, are required to declare to the competent authority the amount and type of funds. However, the law also states that all foreign currency acquired by non-resident natural persons in transit or tourists whose stay in the country less than 180 continuous days are exempt from this obligation, thereby negating the overall effectiveness of the requirement.

Cooperation with foreign governments:

Venezuela has regularly refused to cooperate with the United States in mutual legal assistance matters, including on counter-narcotics activities.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Corruption is a very serious problem in Venezuela and appears to be worsening. Transparency International's Corruption Perception Index for 2009 ranks Venezuela at 162 of 180 countries on the index. Venezuela has laws to prevent and prosecute corruption, and accepting a bribe is a criminal act. However, the judicial system has been ineffective historically and is accused of being overtly politicized. The current regime of price and foreign exchange controls also has provided opportunity for corruption.

There is little evidence the Government of Venezuela (GOV) has made enforcement of anti-money laundering laws and regulations a priority. Reportedly, many, if not most, judicial and law enforcement officials remain ignorant of the OLOC and its specific provisions, and the UNIF does not have the necessary autonomy to operate effectively. According to reported statistics, from 2006-2008 there were 335 money laundering investigations resulting in one conviction.

The SUDEBAN has distributed to its supervised financial entities the list of individuals and entities included on the UNSCR 1267 sanctions committee's consolidated list. No statistics are available on the amount of assets frozen, if any.

U.S.-related currency transactions:

U.S.-Venezuelan commercial ties are deep. The United States is Venezuela's most important trading partner, with U.S. goods accounting for about 26% of imports, and approximately 60% of Venezuelan exports going to the United States. In turn, Venezuela is the United States' third-largest export market in Latin America. Venezuela is one of the top four suppliers of foreign oil to the United States. There is also a large movement of currency between both countries (in the billions). However, Venezuela has strict currency exchange controls and limits the access of its citizens to the US dollar. Despite these controls, dollars are illegally offered for sale on the black market at almost twice the official rate. The US dollar is the currency of choice in Venezuela and the surrounding region for narcotics-trafficking organizations.

Records exchange mechanism with U.S.:

Venezuela and the United States signed a Mutual Legal Assistance Treaty (MLAT) in 1997. In 2009, there was no money laundering information exchange between Venezuela and the United States. The Financial Crimes Enforcement Network (FinCEN) suspended the exchange of information with the UNIF in January 2007 due to the unauthorized disclosure of information provided by FinCEN, and the relationship has not resumed to date.

International agreements:

UNIF has signed bilateral information exchange agreements with counterparts worldwide.

Venezuela is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism -Yes

- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - No

Venezuela participates in the Organization of American States Inter-American Commission on Drug Abuse Control (OAS/CICAD) Money Laundering Experts Working Group. Venezuela also is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.cfatf-gafic.org/downloadables/mer/Venezuela_3rd_Round_MER_%28Final%29_English.pdf

Recommendations:

The Government of Venezuela (GOV) took no significant steps to expand its anti-money laundering regime in 2009. The 2005 passage of the Organic Law against Organized Crime was a step toward strengthening the GOV's abilities to fight money laundering; however, Venezuela needs to enforce the law by implementing the draft procedures to expedite asset freezing, establishing an autonomous financial investigative unit, and ensuring that law enforcement and prosecutors have the necessary expertise and resources to successfully investigate and prosecute money laundering cases. The GOV should also adequately criminalize the financing of terrorism and establish procedures for freezing terrorist assets in order to conform to international standards. SUDEBAN should supervise currency exchange operators, particularly those situated close to the frontiers. Cross-border currency declarations should be established that adhere to international standards. Venezuelan customs and law enforcement officials should investigate trade-based money laundering and value exchange. The UNIF should take the necessary steps to ensure that information exchanged with other FIUs is subject to the appropriate safeguards mandated by the Egmont Group.

Zimbabwe

Though Zimbabwe is not a regional financial center, it faces problems related to money laundering and official corruption. In addition to regulatory weaknesses in the financial sector, deficiencies include a lack of trained regulators and investigators and limited asset seizure authority. These deficiencies in the Government of Zimbabwe's regulatory and enforcement framework contribute to Zimbabwe's attractiveness as a money laundering destination. Money is most often laundered through the financial sector, encompassing both the formal and the informal financial sector. Building societies, moneylenders, insurance brokers, realtors and lawyers are also vulnerable to exploitation by money launderers. Financial crime is fueled by smuggling of precious minerals.

In 2009 the Government of Zimbabwe (GOZ) abolished the Zimbabwe dollar and switched to a multi-currency system based predominantly on the U.S. dollar and South African rand. This has reduced opportunities for money laundering and financial crime committed by government elites and well-connected insiders. The elimination of the Reserve Bank of Zimbabwe's (RBZ) capacity to print money and the withdrawal of the Zimbabwe dollar has shut down a parallel foreign-exchange market that rewarded officials loyal to President Robert Mugabe and sustained the Zimbabwe African National Union – Patriotic Front (ZANU-PF) party. Additionally, in February 2009, the formation of an inclusive government representing ZANU-PF and two factions of the rival Movement for Democratic Change party (MDC-T and MDC-M) has increased scrutiny of government activities and expenditures. For instance, the Ministry of Finance -- led by the MDC-T -- has sought to further curtail the RBZ's capacity to fund unbudgeted expenditures by promoting legislation that improves oversight of RBZ activities. As of yearend 2009, the amendment to the RBZ statute was awaiting passage by Parliament.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes,

Zimbabwe criminalizes money laundering under Sections 63 and 64 of The Serious Offenses (Confiscation of Profits) Act. Money Laundering is a specified offense under Section 2, in which money laundering is referred to in relation to the proceeds of a serious narcotics offense.

Criminalizes other money laundering, including terrorism-related: Yes

The GOZ's Anti-Money Laundering and Proceeds of Crime Act, enacted in December 2003, criminalizes money laundering. In 2004 ,the GOZ adopted the Bank Use Promotion and Suppression of Money Laundering Act (the 2004 Act), which extends the anti-money laundering law to all serious offenses, criminalizes terrorist financing, and authorizes the tracking and seizure of assets. In 2008 the government amended the schedule of fines applicable to those convicted of financial crimes. The new guidelines established minimum penalties, allowing judges to apply whatever maximum fine they determine appropriate to the offense.

Criminalizes terrorist financing: Partially

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

Zimbabwe has criminalized terrorist financing, but the law does not comport with international standards, as it has not criminalized (i) conspiracy to commit money laundering or terrorist financing outside of the context of an organized criminal group; and (ii) obtaining or collecting funds/assets to be used by a terrorist organization/individual terrorist where their use/intended use cannot be connected with a specific terrorist act.

Know-your-customer rules: Yes

The Bank Use Promotion and Suppression of Money Laundering Act 2002 (BUPSMLA) requires designated institutions to identify customers. Although Zimbabwe has implemented basic customer identification obligations, it has not implemented full customer due diligence (CDD) requirements for all financial institutions and designated nonfinancial businesses and professions (DNFBPs). In May 2006, the RBZ issued new Anti-Money Laundering Guidelines that reinforce requirements for financial institutions and DNFBPs. These binding requirements address politically exposed persons, mandating obligated entities to gather more personal data on these high-profile clients.

Bank records retention: Yes.

Financial institutions must keep records of accounts and transactions for at least ten years.

Suspicious transaction reporting: Yes.

The law requires financial institutions, money transfer businesses and DNFBPs, including trustee companies, casinos, real estate agencies, precious metals and stones dealers, and accountants, to file suspicious transaction reports (STRs) with the Financial Intelligence Inspectorate and Evaluation Unit (FIIE), Zimbabwe's financial intelligence unit (FIU). The BUPSMLA Guidelines provide in detail how the BUPSMLA should be implemented by all obligated institutions. However, compliance from the DNFBP sector is lacking.

Large currency transaction reporting: Yes

In June 2007, the RBZ installed an electronic surveillance system to track all financial transactions in the banking system.

Narcotics asset seizure and forfeiture:

The 2001 Serious Offenses (Confiscation of Profits) Act establishes a protocol for asset forfeiture. The BUPSMLA also provides for confiscation, seizure and forfeiture of proceeds of crime and incorporates money laundering among the bases for the GOZ to confiscate assets. The Attorney General may request confiscation of illicit assets within six months of the conviction date. The court can then issue a forfeiture

order against any property. However, the system has not yet been tested in relation to money laundering offenses. The legislation is unclear as to whether instrumentalities used in, or intended for use in, money laundering are subject to freeze or forfeiture provisions.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: Yes

The Exchange Control Act provides for a reporting system that requires all persons to make a declaration of goods and currency they are carrying when exiting the country. This includes the reporting of suspicious cross-border transportation of currency. Under the Act, cross-border monitoring of cash is enforced by the Zimbabwe Revenue Authority (ZIMRA). Currency crossing the Zimbabwe borders under suspicious circumstances is investigated by ZIMRA, which will pass the investigation on to the Zimbabwe Republic Police. However, ZIMRA does not report declarations, seizures or suspicious persons or activities to the FIU.

Cooperation with foreign governments (including refusals):

Mutual legal assistance is regulated by the Attorney General's Department of Zimbabwe. In general, there are no legal or practical impediments to rendering assistance, providing both Zimbabwe and the requesting country criminalize the conduct underlying the offense. Since terrorist financing has not yet been criminalized there is no scope for mutual legal assistance or extradition. Zimbabwe can only respond to both mutual legal assistance and extradition requests regarding other serious offenses.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Zimbabwe's laws and regulations are ineffective in combating money laundering. The RBZ is the lead agency for prosecuting money laundering offenses. The BUPSML Guidelines came into force in April 2006 and as yet no sanctions have been taken against institutions for non-compliance. Burdensome GOZ regulations and difficult business climate encourage circumvention of the law by otherwise legitimate businesses. Furthermore, the government's anti-money laundering efforts throughout the year appeared to be directed less to ensuring compliance than to targeting opponents.

Despite having the legal framework in place to combat money laundering, the sharp contraction of the economy over the past decade, vulnerability of the population, and decline of judicial independence raise concerns about the capacity and integrity of Zimbabwean law enforcement. The 2004 Act has reportedly raised human rights concerns due to the GOZ's history of selective use of the legal system against its political opponents. But to date the 2004 Act has not been associated with any reported due process abuses.

Charitable organizations are obligated to register with the Ministry of Public Service, Labor and Social Welfare; but Zimbabwe has not implemented regulations or enforcement to combat the exploitation of charities by money launderers or terrorist financiers.

U.S.-related currency transactions:

In March 2009, the Minister of Finance introduced a revised GOZ budget that legalized the replacement of the Zimbabwe dollar with several foreign currencies, including the U.S. dollar. The Minister has maintained his commitment to exclusive use of foreign currencies in the 2010 budget delivered in December 2009.

Records exchange mechanism with U.S.:

Zimbabwe and the United States are not parties to a bilateral mutual legal assistance treaty that provides for exchange of information, but the banking community and the RBZ have cooperated with the United States in global efforts to identify individuals and organizations associated with terrorist financing.

International agreements:

Mutual legal assistance and extradition measures apply to money laundering since money laundering is a criminal offense, and both the Criminal Matters (Mutual Assistance) Act and the Extradition Act provide that measures must be taken against "any" criminal offense and in the absence of an applicable treaty.

Zimbabwe is a party to:

- the UN Convention for the Suppression of the Financing of Terrorism - Yes
- the UN Convention against Transnational Organized Crime - Yes
- the 1988 UN Drug Convention - Yes
- the UN Convention against Corruption - No

Zimbabwe is a member of the Financial Action Task Force-style regional body, the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG). Its most recent mutual evaluation can be found here: www.esaamlg.org

Recommendations:

The Government of Zimbabwe (GOZ) leadership should work to develop and maintain transparency, prevent corruption, and subscribe to practices ensuring the rule of law. The GOZ can illustrate its commitment to combating money laundering and terrorist financing by using its legislation for the purposes for which it was designed, instead of using it to persecute opponents of ZANU-PF and nongovernmental organizations which disagree with GOZ policies. Once these basic prerequisites are met, the GOZ should endeavor to develop and implement an anti-money laundering/counter-terrorist financing regime that comports with international standards. The GOZ also should become a party to the UN International Convention for the Suppression of the Financing of Terrorism and revise its counter-terrorist financing legislation to bring it in line with international standards.