United States Department of State

Bureau for International Narcotics and Law Enforcement Affairs

Money Laundering and Financial Crimes Country Database

May 2010

Table of Contents

All Money Laundering/Financial Crimes Countries 1
Changes for 2010 2
Countries and Jurisdiction Table 3
All Money Laundering and Financial Crimes Countries/Jurisdictions 4
Afghanistan 4
Albania 7
Algeria 10
Andorra 13
Angola 15
Antigua and Barbuda 17
Argentina 20
Armenia 23
Aruba 25
Australia 29
Austria 31
Azerbaijan 34
Bahamas 37
Bahrain 39
Bangladesh 41
Barbados 44
Belarus 47
Belgium 51
Belize 53
Bermuda 56
Bolivia 59
Bosnia and Herzegovina 62
Botswana 65
Brazil 68
Brunei 71
Bulgaria 73
Burkina Faso 77
Burma 79
Burundi 82
Cambodia 83
Cameroon 86
Canada 88
Cape Verde 91
Cayman Islands 93
China, People's Republic of 96
Colombia 101
Comoros 104
Congo, Republic of 106
Costa Rica 108
Côte d'Ivoire 111
Cuba 114
Cyprus 117
Czech Republic 121
Denmark 124
Djibouti 127
Dominica 128

Dominican Republic 131
Ecuador 134
Egypt, Arab Republic of 137
El Salvador 140
Equatorial Guinea 143
Estonia 145
Ethiopia 147
Fiji 149
Finland 151
France 154
Gabon 156
Gambia 158
Georgia 160
Germany 162
Ghana 165
Greece 168
Grenada 171
Guatemala 174
Guernsey 177
Guinea-Bissau 179
Guyana 182
Haiti 184
Honduras 187
Hong Kong 190
Hungary 193
Iceland 197
India 199
Indonesia 203
Iran 206
Iraq 209
Isle of Man 213
Israel 215
Italy 218
Japan 221
Jersey 224
Jordan 227
Kenya 230
Korea, Democratic Republic of 233
Korea, Republic of 235
Kosovo 238
Kuwait 240
Kyrgyz Republic 243
Laos 245
Latvia 248
Lebanon 251
Lesotho 254
Libya 255
Liechtenstein 258
Lithuania 260
Luxembourg 263
Macau 266
Macedonia 269
Madagascar 272
Malawi 274
Malaysia 276

Maldives 280
Mali 281
Malta 284
Mauritania 286
Mauritius 288
Mexico 291
Micronesia, Federated States of 293
Monaco 295
Mongolia 298
Montenegro 300
Morocco 303
Mozambique 305
Namibia 308
Nauru 310
Netherlands 312
Netherlands Antilles 315
New Zealand 318
Nigeria 320
Norway 324
Oman 326
Pakistan 328
Panama 331
Papua New Guinea 335
Paraguay 336
Peru 340
Philippines 343
Poland 346
Portugal 349
Qatar 351
Romania 354
Russia 357
Saudi Arabia 361
Senegal 364
Serbia 367
Seychelles 370
Sierra Leone 373
Singapore 375
Slovak Republic 378
Slovenia 381
Solomon Islands 383
South Africa 384
Spain 387
Sri Lanka 391
St. Kitts and Nevis 393
St. Lucia 396
St. Vincent and the Grenadines 398
Suriname 401
Swaziland 403
Sweden 406
Switzerland 409
Syria 412
Taiwan 415
Tajikistan 419
Tanzania 422
Thailand 424

Timor-Leste....427
Togo....429
Tonga....430
Tunisia....432
Turkey....435
Turkmenistan....438
Uganda....441
Ukraine....443
United Arab Emirates....447
United Kingdom....450
Uruguay....453
Vanuatu....456
Venezuela....459
Vietnam....462
Yemen....465
Zambia....468
Zimbabwe....470

All Money Laundering/Financial Crimes Countries

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

The 2010 International Narcotics Control Strategy Report (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.

Changes 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.

Countries and Jurisdiction 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

All Money Laundering and Financial Crimes Countries/Jurisdictions

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.

Albania

Albania is not considered an important regional financial or offshore center. Albania continues to be a source country for human trafficking. As a transit country for trafficking in narcotics, arms, contraband, and humans, Albania remains at significant risk for money laundering. The major sources of criminal proceeds in the country are trafficking offenses, official corruption, and fraud. Corruption and organized crime are likely the most significant sources of money laundering, but the exact extent to which these activities contribute to overall crime proceeds and money laundering is unknown. Organized crime groups use Albania as a base of operations for conducting criminal activities in other countries and often return their illicit gains to Albania. Because of its high level of consumer imports and weak customs controls, Albania has a significant black market for certain smuggled goods such as tobacco, jewelry, and mobile phones.

Because Albania's economy, particularly the private sector, remains largely cash-based, the proceeds from illicit activities are easily laundered in Albania. Albanian customs authorities report that organized criminal elements launder their illegal proceeds by smuggling bulk cash into and out of Albania by using international trade and fraudulent practices through import/export businesses. Criminals frequently invest tainted money in real estate and business development projects. According to the Bank of Albania (BOA), 24 percent of the money in circulation is outside of the banking system. A significant portion of remittances enters the country through unofficial channels. It is estimated only half of total remittances enter Albania through banks or money transfer companies. The BOA estimates that in 2008, remittances

comprised nearly 9.3 percent of Albania's annual gross domestic product (GDP). Albania has made limited progress in its fight against organized crime and money laundering.

Offshore Center:

No information available.

Free Trade Zones:

Although current law permits free trade zones, none are currently in operation.

Criminalizes narcotics money laundering: Yes

Albania criminalizes money laundering through Article 287 of the Albanian Criminal Code of 1995, as amended.

Criminalizes other money laundering, including terrorism-related: Yes

In June 2003, Parliament approved Law No. 9084, which improves the Criminal Code and the Criminal Procedure Code, redefines the legal concept of money laundering, revises its definition to harmonize it with international standards, outlaws the establishment of anonymous accounts, and permits the confiscation of accounts. Albania's law sets forth an "all crimes" definition for the offense of money laundering; however, Albanian courts require a conviction for the predicate offense before issuing an indictment 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/)

Article 230/a of the Penal Code criminalizes terrorist financing. In 2007, the GOA amended its penal code to include a more specific definition for terrorist organizations. In addition, actions for terrorist purposes were identified and Albania's jurisdiction in terrorist financing cases was extended to include both resident and nonresident foreign citizens.

Know-your-customer rules: Yes

Law No. 9084 mandates the identification of beneficial owners and places reporting requirements on both financial institutions and individuals. Law No. 9917, "On Money Laundering and Terrorist Financing" (AML Law) entered into force in September 2008. The anti-money laundering law AML Law strengthens customer due diligence (CDD) requirements by reducing to ALL 1,500,000 (approximately $15,000) the transaction threshold at which institutions are required to obtain the identification of customers, mandating that covered institutions maintain on-going due diligence of clients, and establishing the requirement to perform enhanced due diligence on a risk sensitive basis. The AML Law also defines "client" to include any natural or legal person that is party to a business relationship, and mandates that CDD measures apply in transactions where terrorist financing is suspected. The law also increases the number of reporting entities.

Bank records retention:

Article 16 of the AML Law requires entities to store the documentation of a transaction and that used for the identification of the client and the client's beneficiary owner for five years from the date of termination of the business relation with the client.

Suspicious transaction reporting: Yes

Covered institutions are required to report transactions that involve suspicious activity, regardless of amount, to Albania's financial intelligence unit (FIU).

Large currency transaction reporting: Yes

The AML Law lowers the reporting threshold for cash transactions from $20,000 to $15,000.

Narcotics asset seizure and forfeiture:

Law No. 9284, the "anti-mafia law," enables civil asset sequestration and confiscation provisions in cases involving organized crime and trafficking. The law applies to the assets of suspected persons, their families, and close associates and places the burden on the defendant to prove a legitimate source of income to support the volume of owned assets. During the first ten months of 2009, the Serious Crimes Prosecution Office rendered 18 sequestration and confiscation decisions pursuant to the anti-mafia law. The properties sequestered include one site of 1,060 sqm and 36 bank accounts with approximately $5 million.

In 2004, Albania enacted Law No. 9258, "On Measures against Terrorist Financing." This law provides a mechanism for the sequestration and confiscation of assets belonging to terrorist financiers, particularly with regard to the UN lists of designees. While comprehensive, it lacks implementing regulations and thus is not fully in force. As of September 2009, the GOA claimed to maintain asset freezes against two individuals and ten foundations and companies from the UN Security Council's list of identified terrorist financiers. During the third quarter of 2009, the Ministry of Finance issued eight orders to sequester bank accounts of euro 388,901 belonging to terrorist financiers. In total, the Agency for the Administration of the Sequestration and Confiscation of Assets (AASCA) has $14.8 million in assets seized under the "Law on the Prevention and Fight Against Financing of Terrorism".

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements:

Individuals must report to customs authorities all cross-border transactions that exceed approximately $10,000. Reportedly, Albania provides declaration forms at border crossing points but only to those individuals who voluntarily make a declaration that would require completing the form.

Cooperation with foreign governments (including refusals):

No information available.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Individuals and entities reporting suspicious transactions are protected by law if they cooperate with and provide financial information to the FIU and law enforcement agencies. Reportedly, however, leaks of financial disclosure information from other agencies have compromised client confidentiality. Since 2007, the FIU has referred to the Prosecutors Office 87 cases of both money laundering and terrorist financing, 59 of which were reported during the first nine months of 2008. One case of money laundering has been prosecuted, and currently two cases are ready to be sent to the court. However, prosecution was declined for the rest. In January 2008, the first terrorist financing criminal case began against a Jordanian citizen accused of concealing funds allegedly intended to finance terrorism. This case is still pending.

Although regulations also cover nonbank financial institutions, enforcement remains poor in practice.

Customs controls on cross-border transactions lack effectiveness due to a lack of resources, poor training and, reportedly, corruption of customs officials.

AASCA was created in 2004, and is charged with the responsibility of administering confiscated assets. So far the agency has failed to function in a meaningful fashion, although recent pressure from U.S. government officials has prompted it to perform better.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

No information available.

International agreements:

The FIU has signed memoranda of understanding with 32 countries, Kosovo and Argentina being the most recent. The FIU is in process of signing MOUs with its counterparts in Italy, Russia and Canada.

Albania 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

Albania is a member of the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Albania_en.asp ***Recommendations:***

Although there are continuing initiatives to improve Albania's capacity to deal with financial crimes and money laundering, the lack of positive results and apparent inability to adequately address program deficiencies continue to hamper progress. In addition, although the current AML Law was adopted in May 2008, it is difficult to evaluate the effectiveness of the measures as implementing regulations have not yet been passed. The Government of Albania (GOA) must provide the competent authorities adequate resources to administer and enforce the anti-money laundering/counter-terrorist financing (AML/CFT) measures included in the May 2008 law. Albania also should incorporate into AML legislation specific provisions regarding negligent money laundering, corporate criminal liability, comprehensive customer identification procedures, and the adequate oversight of money remitters and charities. The GOA should remove the requirement of a conviction for a predicate offense before a conviction for money laundering can be obtained. The FIU, police and prosecutors should enhance their effectiveness through improved cooperation with one another and outreach to other entities. The FIU should take steps to achieve effective analysis of the large volume of currency transaction reports and STRs received. The GOA should enact its draft law on FIU operations and promulgate implementing regulations for all applicable laws as soon as possible. Albania should ensure those charged with pursuing financial crime increase their technical knowledge to include modern financial investigation techniques. The GOA should provide its police force with the means to adequately maintain and retrieve its case files and records. The link between criminal intelligence and investigations remains weak as there is a lack of coordination between the prosecutors and the police. Investigators and prosecutors should implement case management techniques, and prosecutors and judges need to become more conversant with the nuances of money laundering. The GOA should devise implementing regulations for Law 9258 regarding sequestration and confiscation of assets linked to terrorist financing so that it can be fully effective. Albania also should improve the enforcement and enlarge the scope of its asset seizure and forfeiture regime, including fully funding and supporting the AASCA.

Algeria

The extent of money laundering through formal financial institutions in Algeria is thought to be minimal due to stringent exchange control regulations and an antiquated banking sector. The partial convertibility of the Algerian dinar enables the Banque Nationale Algerienne (Algeria's central bank) to monitor all international financial operations carried out by public and private banking institutions. Notable criminal activity includes trafficking, particularly of drugs and cigarettes, but also arms; kidnapping; theft,

particularly of vehicles; extortion; and embezzlement. Public corruption remains a major concern as does terrorism. Algerian authorities are increasingly concerned with cases of customs fraud and trade-based money laundering. Other risk areas for financial crimes include unregulated alternative remittance and currency exchange systems; tax evasion; abuse of real estate transactions; commercial invoice fraud; and a cash-based economy. Most money laundering is believed to occur primarily outside the formal financial system, given the large percentage of financial transactions occurring in the informal gray and black economies. Al-Qaida in the Islamic Maghreb (AQIM), which originated in Algeria, has a history of terrorist activities in Algiers and elsewhere in the country, including suicide attacks, kidnappings for ransom, roadside bomb attacks, and assassinations.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

All crimes qualify as predicates for money laundering. In February 2005, Algeria enacted Law No. 05.01, Prevention and Combating of Money Laundering and the Financing of Terrorism (hereinafter Preventative AML/CFT Law). Article 3 of the Preventative AML/CFT Law incorporates by reference Penal Code provisions on terrorism and prohibits the financing of all conduct described by those 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/)

Penal Code, Section 4 *bis*, Article 87 *bis* 4 references Ordinance No. 95-11 and makes the financing of terrorism punishable by imprisonment and subject to a fine.

Know-your-customer rules: Yes

Articles 7-9 of the Preventative AML/CFT Law require customer identification and verification, including in trustee and beneficial ownership circumstances, by "banks, financial establishments and other related financial institutions." In cases where a transaction is of unusual or unwarranted complexity or without economic justification or lawful objective, information on the origin and destination of the funds as well as the aim of the transaction, and identity of "the economic operators" must be obtained.

Bank records retention: Yes

Article 14 of the Preventative AML/CFT Law requires "banks, financial establishments and other related financial institutions" to maintain customer identification information for five years after closing the account or terminating the business relationship and five years after the execution of a transaction.

Suspicious transaction reporting: Yes

Articles 19 and 20 of the Preventative AML/CFT Law require reporting of suspicious transactions to the Cellule du Traitement du Renseignement Financier (CTRF) (the Algerian financial intelligence unit (FIU)). This obligation applies not only to banks and financial institutions, but also to a number of other institutions and businesses to include the post office, insurance companies, gaming establishments, investment houses, attorneys and notaries, accountants, real estate agents, customs agents, and dealers of gems, precious metals, antiques and artwork. Article 21 places a similar obligation on customs and tax agencies. The CTRF transfers files to the prosecutors when its analysis upholds the conclusion of suspected money laundering or terrorist financing. The CTRF reports receipt of 508 suspicious transaction reports (STRs) since 2005; with 260 of the 508 received in 2009. Of this total, two have been referred to the Ministry of Justice (MOJ) for prosecution, with one referral resulting in a prosecution.

Large currency transaction reporting: No

However, Executive Decree 05-442, issued in 2005, prohibits cash transactions exceeding 50,000 Algerian dinars (approximately $713), requiring that they be made by check, credit card, wire transfer or other specified methods that are traceable.

Narcotics asset seizure and forfeiture:

Asset seizure provisions are included in Penal Procedure Code; Preventative AML/CFT Law; and respective laws governing the tax and customs authorities. The Preventative AML/CFT Law provides authority to the CTRF to freeze bank transactions strongly presumed to be connected to money laundering or terrorist financing for a maximum period of 72 hours absent an extension based on a judicial decision. The Penal Code includes provisions for confiscation of assets of natural persons and legal entities.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements:

Article 19 of Regulation No. 07-01 permits travelers to import bank notes and traveler's checks subject to a declaration requirement for amounts in excess of a threshold yet to be established by the Bank of Algeria. As a matter of practice, Algerian authorities interpret the provision as requiring declaration of all amounts. Records of declared amounts in excess of the equivalent of $5,000 are electronically available, including to the CTRF. Ordinance 96-22 prescribes punishments including for failure to declare and false declarations to include confiscation, fines and imprisonment. Travelers departing Algeria may export bank notes and travelers checks subject to certain conditions. In the case of non-residents, the amount exported cannot exceed the amount declared upon entry minus amounts used while in-country. Currency export by residents is strictly controlled in the formal sector and is limited to an amount fixed by the Bank of Algeria, presently approximately $10,200. Exceptions for residents exist for amounts covered by "currency exchange authorizations" established to address particular circumstances (e.g., travel abroad for the Hadj, business, health, education purposes).

Cooperation with foreign governments:

The Algerian Banking Commission, the CTRF, and the Algerian judiciary have wide latitude to exchange information with their foreign counterparts in the course of money laundering and terrorist financing investigations. A clause excludes the sharing of information with foreign governments in the event legal proceedings are already underway in Algeria against the suspected entity, or if the information is deemed too sensitive for national security reasons.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Algerian authorities are taking steps to coordinate information sharing between concerned agencies. In 2008, the Ministry of Justice established a specialized cadre of investigators, prosecutors and judges who are being trained in the investigation and prosecution of financial crimes.

U.S.-related currency transactions:

There appears to be no connection between illegal drug sales in the U.S. and currency transactions in Algeria.

Records exchange mechanism with U.S.:

No information available.

International agreements:

Algeria is a signatory to various UN, Arab, and African conventions against terrorism, trafficking in persons, and organized crime. The CTRF is not a member of the Egmont Group.

Algeria 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 November 2004, Algeria became a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force-style regional body. Algeria underwent a mutual evaluation in December 2009; once finalized, it will be found here: http://www.menafatf.org/TopicList.asp?cType=train

Recommendations:

The Government of Algeria has taken many steps to enhance its statutory regime against money laundering and terrorist financing. It needs to move forward to implement those laws and eliminate bureaucratic barriers among various government agencies. The CTRF should be the focal point for anti-money laundering/counter-terrorist financing (AML/CFT) suspicious transaction report analysis and information exchange, which would require the CTRF to develop in-house analytical and information technology capabilities. The CTRF should continue outreach to the formal and informal financial sectors and continue efforts to adhere to international standards. In addition, given the scope of Algeria's informal economy, new efforts should be made to identify value transfer mechanisms not covered in Algeria's AML/CFT legal and regulatory framework. Algerian law enforcement and customs authorities should enhance their ability to investigate trade-based money laundering, value transfer, and bulk cash smuggling used for financing terrorism and other illicit financial activities.

Andorra

Andorra has a well developed financial infrastructure. In 2009, the Organization for Economic Co-operation and Development (OECD) designated and subsequently delisted Andorra as a tax haven due to its low or nonexistent taxes and maintains that Andorra still needs to make its banking system more transparent.

Offshore Center: Yes

No additional information available.

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

Andorra substantially revised its anti-money laundering regime in December 2000 with the passage of its Law on International Criminal Co-operation and the Fight against the Laundering of Money and Securities Deriving from International Delinquency (December 2000 Act). Subsequent amendments to the Andorran Criminal Code extend the predicate offenses for money laundering to all serious offenses that are punishable by a prison term of at least six months. Tax evasion is not a crime in Andorra.

Criminalizes terrorist financing: Yes

In 2008, Andorra ratified the UN Convention for the Suppression of the Financing of Terrorism. The implementation of the Convention led to a separate offense of terrorism financing within the Andorra Criminal Code – Article 366 bis.

Know-your-customer rules: Yes

Banks and other financial institutions are required to know, record, and report the identity of customers engaging in significant transactions. Customer identification, including identification of the beneficial owner, is required at the time a business relationship is established and before any applicable transaction.

Bank records retention: Yes

Banks and other reporting entities are required to keep records of obligated transactions for five years. Records verifying customer identity must be kept for a period of at least ten years from the date when the business relationship ends.

Suspicious transaction reporting: Yes

The December 2000 Act imposes reporting obligations upon Andorran financial institutions, insurance and re-insurance companies, and natural persons or entities whose professions or business activities involve the movement of money or securities that may be susceptible to laundering. It specifically covers external accountants and tax advisors, real estate agents, notaries, and other legal professionals when they are acting in certain professional capacities, as well as casinos and dealers in precious stones and metals. Obligated entities must report suspicious transactions regardless of the amount involved. Reports of suspicious transactions (STRs) are made to the Unit for the Prevention of Laundering Operations (UPB), Andorra's financial intelligence unit (FIU).

Large currency transaction reporting: Yes

Currency transaction reports must be forwarded to the UPB for any cash transactions over euros 30,000 (approximately $41,000).

Narcotics asset seizure and forfeiture: Yes

Substitute assets can be seized. In 2008, $48,915 was frozen, seized, and/or forfeited.

Narcotics asset sharing authority:

The Government of Andorra (GOA) has signed asset sharing agreements with France, Spain, and Switzerland.

Cross-border currency transportation requirements: Yes

Mandatory declaration forms are used at the borders.

Cooperation with foreign governments:

No impediments to cooperation are known to exist.

U.S. or international sanctions or penalties: No

***Enforcement and implementation issues and comments*:**

In 2008, there were 26 investigations for suspicion operations; no figures are available for 2009.

The GOA has circulated to its financial institutions the list of individuals and entities included on the UN 1267 sanctions committee's consolidated list

U.S.-related currency transactions:

No 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 are believed to occur in Andorra.

Records exchange mechanism with U.S.:

The UPB is able to exchange information with the Financial Crimes Enforcement Network.

International agreements:

The UPB has signed cooperation agreements with the FIUs of Spain, France, Belgium, Portugal, Luxembourg, Monaco, Poland, Netherlands Antilles, Bahamas, Thailand, Albania, Mexico, Panama and Peru.

Andorra 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

Andorra is a member of MONEYVAL, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here:
http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Andorra_en.asp

Recommendations:

Andorra should continue to improve its anti-money laundering/counter-terrorist financing counter-measures. The Government of Andorra should become a party to the UN Conventions against Corruption and Transnational Organized Crime.

Angola

Angola is neither a regional nor an offshore financial center and has not prosecuted any known cases of money laundering. Angola does not produce significant quantities of drugs, although it continues to be a transit point for drug trafficking, particularly cocaine brought in from Brazil or South Africa destined for Europe. The laundering of funds derived from continuous and widespread high-level corruption is a concern, as is the use of diamonds as a vehicle for money laundering. The Government of the Republic of Angola (GRA) has implemented a diamond control system in accordance with the Kimberley Process. However, corruption and Angola's long and porous borders further facilitate smuggling and the laundering of diamonds.

Angola currently has no comprehensive laws, regulations, or other procedures to detect money laundering and financial crimes. Efforts to combat money laundering and terrorist financing are hampered by a very significant lack of capacity resulting from decades of civil war. The various ministries with responsibility for detection and enforcement are revising a draft anti-money laundering law. Angolan banks have few, but growing, linkages to the international financial system.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Angola's counter-narcotics laws criminalize money laundering related to narcotics trafficking.

riminalizes other money laundering, including terrorism-related: No

Angola currently has no comprehensive laws, regulations, or other procedures to detect money laundering and financial crimes, although provisions of the criminal code do address some 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/)

Angola currently has no comprehensive laws or regulations covering terrorist financing. Angola has not signed the UN International Convention for the Suppression of the Financing of Terrorism.

Know-your-customer rules: No

The Central Bank's Supervision Division, which has responsibility for money laundering issues, exercises some authority to detect and suppress illicit banking activities under legislation governing foreign exchange controls. The Central Bank has limited capacity to conduct customer due diligence compliance investigations. It is inadequately staffed and trained.

Bank records retention: No

Banks are required to maintain records of significant transactions, though it not known for how long they are required to keep the records.

Suspicious transaction reporting: No

The Central Bank has no workable data management system and only rudimentary analytic capability. The Central Bank falls under the Ministry of Finance and does not have operational or budgetary independence.

There is a financial intelligence unit (FIU) but its basic function is to ensure that Angola's banking regulations are being adhered to by commercial banks. It appears to be more of an administrative body rather than analytic. It is not focused on money laundering or terrorist financing to any significant degree. The FIU has authority to investigate commercial banks. Statistics of suspicious transaction reports (STRs) are unknown. The banking system is ill-equipped to detect and report suspicious activity.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture: Yes

The GRA can seize narcotics-related assets under its counter-narcotics laws. The Central Bank has the authority to freeze assets, but Angola does not presently have an effective system for identifying, tracing, or seizing assets.

Narcotics asset sharing authority: No

Cross-border currency transportation requirements: Yes

Angolan currency (kwanza) cannot be taken out of Angola. The law limits individuals to bringing no more than $15,000 in currency into or out of the country. However, the restrictions are based on foreign exchange controls and are not meant to combat international money laundering. Travelers boarding international flights are asked to declare the amount of currency they are carrying and are subject to physical search. Cash in excess of this amount is confiscated and the traveler is given a receipt, with which he can appeal to the GRA for return of the cash based on justification for carrying currency out of the country. The GRA requires declaration forms, but foregoes the use of them when they run out of printed forms.

Cash declaration reports are not entered into databases. Information technology infrastructure within government entities is very limited.

Cooperation with foreign governments:

Although there is a lack of capacity throughout relevant government ministries, there are no known instances of refusal to cooperate with other governments against money laundering and terror finance.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

The Ministry of Justice is responsible for investigating financial crimes. The level of competence and staffing is unknown, but believed to be low. There were no known arrests, prosecutions, or convictions for money laundering or terrorist financing in 2009.

Diamonds are believed to be used in trade-based money laundering. In May 2009, the U.S. Department of the Treasury designated Kassim Tajideen as a supporter of the Hizballah terrorist organization. Kassim Tajideen is an important financial contributor to Hizballah who operates a network of businesses in Lebanon and Africa. In 2003, Tajideen was arrested in Belgium in connection with fraud, money laundering, and diamond smuggling. Kassim is chairman of Luanda-based Golfrate Holdings (Angola) Lda, which is Angola's leading producer and distributor of essential consumer goods, providing up to 60 percent of Angola's imported food stuffs.

U.S.-related currency transactions:

Angola is effectively dollarized— nearly all businesses, formal and informal, readily accept U.S. dollars. In 2009, the Governor of the Central Bank announced steps to require the payment of all debts to be carried out in kwanzas – the Angolan currency. In 2008, it was reported the local banking system imports approximately $200-300 million in currency per month, largely in dollars, without a corresponding cash outflow. Local bank representatives have reported that clients have walked into banks with up to $2 million in a briefcase to make a deposit.

Records exchange mechanism with U.S.:

There is no agreement with the U.S. on exchange of records relating to financial crimes or other investigations. Exchange of records for investigations is done on a case-by-case basis.

International agreements:

Angola 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

Recommendations:

The Government of Angola (GRA) should pass its pending legislation to criminalize money laundering beyond drug offenses. The GRA should enact legislation that adheres to international standards to establish a system of financial transparency reporting requirements and a corresponding financial intelligence unit. The GRA should then move quickly to implement this legislation and bolster the capacity of law enforcement to investigate financial crimes. Angola's judiciary, including its Audit Court (Tribunal de Contas) should give priority to prosecuting financial crimes, including corruption. The GRA should become a party to both the UN Convention against Transnational Organized Crime and the UN International Convention for the Suppression of the Financing of Terrorism. The GRA should increase efforts to combat official corruption, by establishing an effective system to identify, trace, seize, and forfeit assets and by empowering investigative magistrates to actively seek out and prosecute high profile cases of corruption.

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.

Argentina

Argentina is neither an important regional financial center nor an offshore financial center. Money laundering related to narcotics trafficking, corruption, contraband, and tax evasion is believed to occur throughout the financial system, in spite of the efforts of the Government of Argentina (GOA) to stop it. Transactions conducted through nonbank businesses and professions, such as the insurance industry, financial advisors, accountants, notaries, trusts, and companies, real or shell, remain viable mechanisms to launder illicit funds. Tax evasion is the most frequent predicate crime in Argentine money laundering investigations. Argentina has a long history of capital flight and tax evasion, and Argentines hold billions of dollars outside the formal financial system (both offshore and in-country), much of it legitimately earned money that was not taxed. To combat capital flight and encourage the return of these undeclared billions, the GOA approved a capital repatriation law offering a tax amnesty to persons who repatriated undeclared offshore assets during a six-month window from March 1 to August 31, 2009. The law prohibits tax authorities from investigating the provenance of declared funds. Critics raised concerns that this initiative could facilitate money laundering. When the GOA's financial intelligence unit (FIU), the

UIF, promulgated implementing regulations in May 2009, it required financial institutions to file reports on suspicious transactions by participants in the program. The program yielded declarations of approximately $4.7 billion, a small fraction of assets held abroad, and much of the declared funds and assets were actually not repatriated but were simply a declaration of funds already in Argentina.

Offshore Center:

No information available.

Free Trade Zones:

No information available.

Criminalizes narcotics money laundering:

Money laundering was first criminalized in 1989 under Article 25 of Narcotics Law 23.737.

Criminalizes other money laundering, including terrorism-related:

Law 25.246 of May 2000 expands the predicate offenses for money laundering to include all crimes listed in the Penal Code. The law does not criminalize money laundering as an offense independent of the underlying crime or self laundering. Additionally, only transactions (or a series of related transactions) exceeding 50,000 pesos (approximately $13,000) constitute money laundering. Transactions below 50,000 pesos constitute concealment, a lesser offense.

Criminalizes terrorist financing:

(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 26.268, "Illegal Terrorist Associations and Terrorism Financing," enacted in 2007, amends the Penal Code and Argentina's anti-money laundering law, Law No. 25.246, to criminalize acts of terrorism and terrorist financing, and establishes terrorist financing as a predicate offense for money laundering. To date, Argentine prosecutors have not filed charges under the statute.

Central Bank Circular B-6986 requires financial institutions to check transactions against the terrorist lists of the United Nations, United States, European Union, Great Britain, and Canada. No assets have been identified or frozen to date.

Know-your-customer rules: Yes

Law 25.246 requires customer identification.

UIF Resolution 137/2009 addressing repatriated funds under the tax amnesty program requires financial institutions to determine whether the taxpayer had the economic capacity to obtain the funds sent abroad, and accordingly, to determine the source of the funds.

Bank records retention: Yes

Obligated entities are required to maintain a database of information related to client transactions, including suspicious or unusual transaction reports, for at least five years.

Suspicious transaction reporting: Yes

Law 25.246 requires financial institutions to file suspicious transaction reports (STRs). Under UIF-issued resolutions obligated entities include the tax authority (AFIP), Customs, banks, currency exchange houses, casinos, securities dealers, insurance companies, postal money transmitters, accountants, notaries public, and dealers in art, antiques and precious metals. As of September 2009, according to its own statistics, the UIF had received 5,272 STRs since its inception in November 2002, and forwarded 738 suspected cases of money laundering to prosecutors for review.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture:

Argentina's Narcotics Law of 1989 authorizes the seizure of assets and profits. Argentine courts and law enforcement agencies have used the authority to seize and utilize assets on a selective and limited basis, although complex procedural requirements complicate authorities' ability to take full advantage of the asset seizure provisions.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: Yes

Resolutions 1172/2001 and 1176/2001, issued by the Argentine Customs Service in 2001, require declarations to be made by all individuals entering or departing Argentina with over $10,000 in currency or monetary instruments. The UIF receives copies of the declarations.

Cooperation with foreign governments (including refusals):

Argentina's financial secrecy restrictions on UIF access to large cash transactions could limit its ability to provide assistance in money laundering and terrorist financing investigations.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Law 25.246 still limits the UIF's role to investigating only money laundering arising from seven specific or "predicate" crimes, including narcotics and arms trafficking and fraud in public administration.

Although Law 26.087 reduces restrictions that have prevented the UIF from obtaining information needed for money laundering investigations by granting greater access to STRs filed by banks, the law does not lift financial secrecy provisions on records of large cash transactions, which are maintained by banks when customers conduct a cash transaction exceeding 30,000 pesos (approximately $7,800).

There have been only two convictions for money laundering since it was first criminalized in 1989, and none since the passage of Law 25.246 in 2000.

Working with the USG, Argentina has established a Trade Transparency Unit (TTU). The TTU examines anomalies in trade data that could be indicative of customs fraud and international trade-based money laundering. One key focus of the TTU is financial crime occurring in the Tri-Border Area.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

The GOA and the U.S. government have a Mutual Legal Assistance Treaty that entered into force in 1993, and an extradition treaty that entered into force in 2000.

International agreements:

Argentina participates in the "3 Plus 1" Security Group (formerly the Counter-Terrorism Dialogue) between the United States and the Tri-Border Area countries. The UIF has signed memoranda of understanding regarding the exchange of information with a number of other FIUs.

Argentina 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

Argentina is a member of the Organization of American States Inter-American Control Commission (OAS/CICAD) Group of Experts. Argentina is also a member of the Financial Action Task Force (FATF) and the Financial Action Task Force for South America (GAFISUD), a FATF-style regional body.

Recommendations:

With passage of counterterrorist financing legislation and strengthened mechanisms available under Laws 26.119, 26.087, 25.246, and 26.268, Argentina has the legal and regulatory capability to combat and prevent money laundering and terrorist financing. The national anti-money laundering/counter-terrorist financing agenda provides the structure for the Government of Argentina (GOA) to improve existing legislation and regulation, and enhance inter-agency coordination. The ongoing challenge is for Argentine law enforcement and regulatory agencies, and institutions to implement fully the National Agenda and enforce the newly strengthened and expanded legal, regulatory, and administrative measures available to them to combat financial crimes. The GOA should further improve its legal and regulatory structure by enacting legislation to expand the UIF's role to enable it to investigate money laundering arising from all crimes, rather than just seven enumerated crimes and to have access to all information and documentation necessary to conduct money laundering and terrorist financing investigations; establishing money laundering as an autonomous offense; and eliminating the current monetary threshold of 50,000 pesos (approximately $13,000) required to establish a money laundering offense. To comply fully with international standards on the regulation of bulk money transactions, Argentina should review policy options that are consistent with its MERCOSUR obligations. Other continuing priorities are the effective sanctioning of officials and institutions that fail to comply with the reporting requirements of the law, the pursuit of a training program for all levels of the criminal justice system, and the provision of the necessary resources to the UIF to carry out its mission.

Armenia

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

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

Armenia's anti-money laundering regime is based on Article 190 of the Armenian Criminal Code, enacted in 1993, which criminalizes money laundering; and on the Law on Combating Money Laundering and Terrorism Financing (AML/CFT Law), adopted in December 2004 and revised in May 2008. Armenia uses a "list" approach for predicate offenses for money laundering. Amended Article 190 of the Criminal Code refers to 94 specific crimes listed elsewhere in the Code, e.g. kidnapping, embezzlement, drug trafficking, trafficking in persons, extortion, bribery, etc. These predicate offenses, necessary for a money laundering prosecution, are based on those stipulated by the Financial Action Task Force (FATF).

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/)

Armenia criminalized the financing of terrorism under amendments to the Criminal Code in December 2004.

Know-your-customer rules: Yes

Obligated entities are required to practice know-your-customer and due diligence procedures.

However, there appear to be no prohibitions on opening a business relationship through or using bearer bank records or other bearer securities.

Bank records retention: Yes

Under Article 15 of the AML/CFT Law, financial institutions must keep records for all completed or ongoing financial transactions for at least five years.

Suspicious transaction reporting: Yes

Revision to the AML/CFT Law in 2008 significantly expanded the range of "reporting entities" required to report suspicious transactions. The law now covers not only banks and non-bank financial institutions, but also exchange houses, casinos, real estate agents, dealers in precious metals and stones, lawyers, accountants, auditors, and trust companies, among others. All the obligated entities are required to file suspicious transaction reports (STRs) with the Financial Monitoring Center (FMC), Armenia's financial intelligence unit (FIU). The criminal code also requires the entities to inform law enforcement authorities about any detected criminal activity. During the first ten months of 2009, the FMC received 79 STRs. Three cases were subsequently referred to law enforcement authorities.

Large currency transaction reporting: Yes

Financial institutions must report to authorities currency transactions over 20 million Armenian drams (AMD) and real estate transactions over 50 million AMD (approximately $66,000 and $166,000 respectively.)

Narcotics asset seizure and forfeiture:

Under Armenia's Criminal Code, Criminal Procedure Code, and the AML/CFT Law, reporting entities and the CBA can freeze, investigators and prosecutors can seize, and courts can confiscate assets derived from or intended for criminal activity, including both illegal drug trafficking and terrorism. There is no civil forfeiture.

Narcotics asset sharing authority: No

No laws have been enacted to allow for asset sharing.

Cross-border currency transportation requirements:

Armenian law requires any currency export transaction exceeding five million Armenian drams (approximately $16,000) to be conducted strictly as a non-cash transfer. Currency exports below that threshold can be conducted in cash and do not have to be documented. There are no limitations for currency imports, but imports of cash over the equivalent of 15,000 euros (approximately $20,400) must be declared. Few currency declarations are actually filed.

Cooperation with foreign governments:

Armenia regularly cooperates with foreign jurisdictions on money laundering and financial crimes investigations.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

In 2009, Armenia achieved its first successful money laundering prosecution. A total of 22 money laundering cases were filed, out of which 17 were sent to court, two were suspended due to the lack of an identified suspect, and three remained in the preliminary investigation stage at the end of the year. Authorities obtained money laundering convictions against four defendants in three cases in 2009.

The list of individuals and entities included on the UN 1267 sanctions committee's consolidated list are regularly circulated to financial institutions.

U.S.-related currency transactions:

Armenian financial institutions are not engaged in transactions of international narcotics proceeds that derive from illegal drug sales in the United States or that otherwise significantly affect the United States.

Records exchange mechanism with U.S.:

The FMC cooperates with USG law enforcement agencies when requested. The FMC is able to exchange information with the Financial Crimes Enforcement Network.

International agreements:

Armenia 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

Armenia is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation report can be located here:

http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round3/MONEYVAL%282009%2925Rep-ARM3_en.pdf

Recommendations:

Armenia should continue its efforts to enhance its anti-money laundering/counter-terrorist financing regime and to successfully investigate and prosecute money laundering and terrorist financing**.** Armenia should prohibit bearer bank books and certificates of deposit or other bearer securities.

Aruba

Aruba is not considered a regional financial center. Money laundering in Aruba is primarily the result of foreign criminal activity pertaining to the proceeds from the illicit narcotics trade. Other sources of illicit proceeds include revenue from the falsification of documents. Of interest is the increase in money laundering cases over the past few years stemming from public corruption. Money laundering occurs mainly in the formal financial sector and to, a lesser extent, within the offshore financial center.

Offshore Center: Yes

Two offshore banks and four offshore insurance companies (captives) are licensed in Aruba. On February 5, 2009 the State Ordinance on the Supervision of Company Service Providers (SOSCSP) was enacted to bring the company service providers under supervision of the Central Bank of Aruba (CBA). One bank is a subsidiary of Citibank NA, with no physical presence in Aruba. The other bank is affiliated with a Venezuelan bank; its activities are restricted to the Venezuelan market. Offshore banks require a banking license from the CBA. Background checks are performed on applicants for a banking license; shareholders are tested on financial standing and reputation. Furthermore, in accordance with CBA's

policy, the control of financial institutions may only be exercised by an international financial group subject to effective consolidated supervision.

Free Trade Zones: Yes

By law, Aruba has three free trade zones (FTZs), all under the management of Free Zone Aruba (FZA) NV (a government-owned limited liability company). The companies admitted to the FTZs conduct trade, light industrial and/or service activities, with the exception of financial services. The types of goods vary as well as the trading partners. All companies must have a physical presence in the FTZ, be active and - if foreign-owned and managed - have a local representative with sufficient authority to manage the business on a day-to-day basis. Also, all administration must be kept in Aruba. A preventive comprehensive anti-money laundering/counter-terrorist financing (AML/CFT) compliance system designed by FZA is in place.

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

Money laundering is criminalized through articles 430b, 430c and 430d of the Criminal Code of Aruba (CrCA).

Criminalizes other money laundering, including terrorism-related: Yes

The predicate offenses for money laundering cover a broad range of offenses, including, but not limited to: participation in an organized criminal group and racketeering; terrorism, including terrorist financing; trafficking in persons and immigrant smuggling; sexual exploitation, including sexual exploitation of children; illicit trafficking in narcotic drugs and psychotropic substances; illicit arms trafficking; illicit trafficking in stolen and other goods; corruption and bribery; fraud; counterfeiting of currency; murder; grievous bodily injury; kidnapping; illegal restraint and hostage-taking; robbery; and theft. Aruba's money laundering laws do not cover proceeds generated from counterfeiting and piracy of products, insider trading and market manipulation, many types of environmental crimes and fraud.

Criminalizes terrorist financing: No

There is no separate offense for terrorist financing included in the CrCA. However, the present legal system does allow for the prosecution of terrorist financing under certain circumstances through reliance on ancillary offenses such as the preparation for, participation in, or complicity with a terrorist attack, or through being a member of a terrorist organization. Legislation has been drafted to provide for a separate terrorist financing offense.

Know-your-customer rules: Yes

The State Ordinance on the Identification when Providing Services (SOIPS) mandates and regulates the identification of clients when providing certain financial and non-financial services. Banks, life insurance companies, money transfer companies, lawyers, civil notaries, accountants, tax advisors, casinos, dealers in jewels and precious metals, realtors and high-worth dealers in art, antiques, vehicles, aircraft and ships are required to have proper identification, know your customer (KYC), and due diligence procedures in place.

Banks or other CBA-regulated financial institutions, except for trust company service providers, are allowed to issue bearer shares. However, all persons or entities holding 5% or more of the issued shares or voting rights must obtain prior written approval from the CBA for such shareholding. Thus, all persons or entities with such holdings are identified and subject to the fit and proper criteria laid down in the supervisory laws.

Bank records retention: Yes

Banks and other financial institutions are required to retain KYC data for at least five years after the termination of the customer relationship or after the execution of a transaction.

Suspicious transaction reporting: Yes

The State Ordinance on the Reporting of Unusual Transactions (SORUT) requires the same institutions subject to the SOIPS to report unusual transactions to the financial intelligence unit (FIU). Such transactions, whether executed or not, are to be reported if a transaction reaches a certain predetermined threshold, a certain predetermined service is requested, and if a transaction is suspected of involvement in money laundering and/or terrorist financing. Varying thresholds (AWG 20,000, 100,000 and 1,000,000) exist depending on the type of transaction. It should be noted that Aruba does not have a suspicious transactions reporting system, but a broader unusual transactions reporting (UTR) system. In the first ten months of 2009, a total of 5,298 UTRs were received. During the same period 24 investigations -- totaling 272 transactions and 330 subjects -- were disseminated to police and justice authorities. Three UTRs regarding terrorist financing have been received; no terrorist financing activity has been detected in Aruba.

Large currency transaction reporting: Yes

See above.

Narcotics asset seizure and forfeiture: Yes

The provisions for seizing, freezing, and confiscating proceeds of crime are set out in various Articles of the CrCA and the Code of Criminal Procedure of Aruba (CCrPA). Both the CrCA and the CCrPA provide for the confiscation of laundered property, criminal proceeds, and instruments used or intended for use in the commission of offenses. They also provide for ancillary measures such as seizure and, freezing of assets. The confiscation provision permits the court to order confiscation following a criminal conviction. The CrCA provides that a defendant must either deliver the subject property or otherwise pay an amount equivalent to the property's value. However, Aruba's confiscation laws do not permit confiscation of assets derived indirectly from crime, or, with knowledge exceptions, of property in the names of third parties. A special confiscation procedure (using a civil standard of proof), which can occur within two years after conviction, permits the confiscation of substitute property.

The Ordinance on Sanctions 2006 (AB 2007 no. 24), to enhance the GOA's compliance with the requirements of UNSCRs 1267 and 1373 regarding the timely freezing of terrorist assets came into effect in 2007. The Ordinance was modified in February 2009 to extend its scope beyond banks to insurance companies, money transfer companies, and trust company service providers. However, although the CBA and FIU circulate the 1267 Sanctions Committee's; the EU's consolidated lists; and the list of Specially Designated Global Terrorists designated by the United States pursuant to Executive Order (E.O.) 13224, Aruba does not have an independent legal mechanism for freezing, without delay or a judicial order, terrorist assets.

Narcotics asset sharing authority: Yes

Asset sharing takes place as much as possible on a treaty basis or a reciprocity basis.

Cross-border currency transportation requirements: Yes

In 2003, Aruba enacted a State Ordinance on the Reporting of the import and export of money, making it a legal requirement to report to Customs Department officials at Aruban ports of entry the movement of currency in excess of AWG 20,000 (approximately $11,000) via harbor, airport, postal, and express courier mail services. The head of the FIU must confirm receipt of the reports.

Cooperation with foreign governments (including refusals):

The laws in Aruba concerning mutual legal assistance in AML/CFT investigations, prosecutions, and related proceedings are primarily set out in Articles 555 to 567 and 579 CCrPA. As part of the Kingdom of the Netherlands, Aruba is a party to a number of international conventions that include provisions

permitting mutual legal assistance. The SORUT provides formal mechanisms to share information internationally with other FIUs.

Aruba cooperates with the Drug Enforcement Administration and other US authorities if so requested. For example, rights on two time share units in Aruba were frozen/confiscated based on a US court order. Aruba also assisted the Peruvian authorities and Belgian authorities in confiscating documents related to their respective investigations into fraud and money laundering.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

As of January 1, 2009, 20 money laundering cases have been registered at the public prosecutor's office. Fifteen of the cases are still under investigation or otherwise pending, four have been brought before the judge, and one case was settled.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

Aruba has entered into a bilateral mutual legal assistance treaty (MLAT) with the United States. Other applicable agreements include the 1981 Treaty between the Kingdom of the Netherlands (KON) and the USG on mutual assistance in criminal matters; the 1992 Agreement between the KON and the USG regarding mutual cooperation in the tracing, freezing, seizure and forfeiture of proceeds and instrumentalities of crime and the sharing of forfeited assets; and the 2003 Tax Information Exchange Agreement (TIEA). The FIU is able to exchange information with FinCEN.

International agreements:

Aruba has entered into bilateral MLATs with Suriname, Canada, Australia, and Hong Kong. TIEAs have been signed with Spain, Denmark, Norway, Sweden, Finland, Iceland, Greenland, Faroe Islands, Bermuda, British Virgin Islands, Saint Kitts & Nevis, and Saint Vincent & Grenadines. TIEAs with Canada and Australia are awaiting signature and TIEA negotiations have been concluded with Belgium, Germany and France. The FIU has concluded memoranda of understanding (MOUs) with FIUs in the Kingdom of the Netherlands, Colombia, Belgium, Switzerland, Germany, Canada, Chile, Mexico, and Peru. More than ten additional MOUs are in process.

The Kingdom of the Netherlands, of which Aruba is a semi-autonomous constituent part, extended the application to Aruba of the1988 UN Drug Convention in 1999, the UN International Convention for the Suppression of the Financing of Terrorism in 2005, and the UN Convention against Transnational Organized Crime in 2007. The Kingdom has not yet extended the application of the UN Convention against Corruption to Aruba.

Aruba 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/Aruba_3rd_Round_MER_%28Final%29_English.pdf

Recommendations:

The Government of Aruba (GOA) has shown a commitment to combating money laundering and terrorist financing by establishing an AML/CFT regime that is generally consistent with international standards. Aruba should take additional steps to immobilize bearer shares under its fiscal framework and to enact its long-pending ordinance addressing the supervision of trust companies. The GOA should ensure all obligated entities are fully complying with their AML/CFT reporting requirements. Aruba also should make every effort to pass the drafted legislation to criminalize terrorist financing as a separate offense.

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.

Azerbaijan

At the crossroads of Europe and central Asia and with vast amounts of natural resources, Azerbaijan is a rapidly growing economy. Much of the international trade and foreign investments took place in the energy sector. All other sectors lag energy in growth and sophistication, to include the financial sector. As a result, Azerbaijan is neither an important financial center nor a major location where foreign entities look to conduct money laundering/terrorist financing transactions. The major source of criminal proceeds in Azerbaijan is from the endemic public corruption that occurs in all sectors and at all levels. As a transit country for the Afghan drug trade, Azerbaijani authorities suspect the illicit drug trade also generates a significant amount of illicit funds. Other generators of illicit funds include robbery, tax evasion, smuggling, trafficking, and organized crime. Money laundering likely occurs in the formal financial sector, non-bank financial systems, and alternative remittance systems. There is a significant black market for smuggled goods in Azerbaijan, which serves as a transit country for illicit goods.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

In 2002, the GOAJ passed "Legalization of Money Proceeds or Other Property Obtained Through criminal acts" which criminalizes money laundering. The law is wide in scope and applies to a many methods of obtaining criminally obtained funds, not only drug related.

Criminalizes other money laundering, including terrorism-related: Partially

In February 2009, the long-awaited law on "preventing Legalization of Money and Property Obtained in Criminal Ways and Financing of Terrorism" (AML/CFT Law) was passed. The law covers credit institutions; insurers, re-insurers, and insurance intermediaries; securities brokers; organizations that

transfer funds; pawnshops; investment vehicles; dealers of precious stones, precious metals, jewelry or other goods made of precious stones and metals; non-governmental organizations or religious organizations; lottery organizers; and real estate intermediaries. Auto dealers and lawyers are not covered by the law. The GOA executed an Executive Order on October 21 that provides an action plan on improvement of the AML/CFT 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/)

Know-your-customer rules: Yes

The AML/CFT Law details the "know your client" requirements. All banks and other financial institutions shall identify their customers and beneficial owners before establishing business relations; before carrying out occasional transactions above 20,000 AZN; and before carrying out wire transfers.

Bank records retention: Yes

The identification documents of a customer, beneficial owner, or authorized representative must be kept for five years after the account is closed or the relationship terminated. Documents on specific transactions must be kept for at least five years following completion of the transaction.

Suspicious transaction reporting: Yes

Under the AML/CFT Law all financial institutions are required to report suspicious transactions according to a list of indicators, including any transaction: of 20,000 AZN or greater; associated with the citizens of a particular country deemed to be suspicious by the GOA; involving politically exposed persons of a foreign country; and, to or from anonymous accounts that are out of the jurisdiction of the GOA. The Financial Monitoring Service (FMS) will analyze the information submitted and refer suspected criminal activities to the General Prosecutor's Office for review. Because the law is so new, to date, no reports have actually been filed, therefore making it difficult to assess effectiveness.

Large currency transaction reporting: No

The suspicious transaction reporting system uses a threshold.

Narcotics asset seizure and forfeiture:

New legislation was introduced in October 2009. The Prosecutor General's office is responsible for identifying, tracing, freezing, seizing, and forfeiting narcotics-related assets as well as assets derived from, or intended for terrorist financing and other serious crimes. Any asset can be seized, including instruments of crime such as conveyances used to transport narcotics, property on which illicit crops are grown, or used to support terrorist activity, and intangible assets such as bank accounts. Substitute assets can be seized as well as legitimate businesses if used to launder drug money, support terrorist activity, or otherwise are related to criminal proceeds. In 2009, $100,000 was frozen. The government does not have an independent national system and mechanism for freezing terrorist assets.

Narcotics asset sharing authority:

The country does not have laws for the sharing of seized assets with other governments. At this time, the government is actively engaged in bilateral and multilateral negotiations with other governments to enhance asset tracing, freezing, and seizure.

Cross-border currency transportation requirements: Yes

The currency reporting requirement for both inbound and outbound transportation is 5,000 manat. Mandatory declaration forms are used at border crossings.

Cooperation with foreign governments (including refusals):

Azerbaijan has cooperated with appropriate USG law enforcement agencies and other governments investigating financial crimes. Azerbaijan is currently investigating, along with the USG, a corrupt practice and fraud case against a U.S. business.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

After enactment of the February 2009 law, the Government of Azerbaijan (GOA) decided that the FMS, its new financial intelligence unit (FIU) would be located within the Central Bank. After several months of working on budget issues, amendments, and an action plan, the FMS began operations in late 2009.

One person has been arrested for money laundering since January 1, 2009. This individual was a high ranking government official accused of embezzling and laundering $100,000. The case is currently being investigated.

Azerbaijan has circulated to its financial institutions the names of individuals and entities that have been included on the UN 1267 Sanctions Committee's consolidated list and a list of terrorist organizations/financiers that the USG and the European Union have designated under relevant authorities. Azerbaijan did not identify, freeze, seize, or forfeit related assets in 2009.

U.S.-related currency transactions:

Azerbaijan's financial institutions do not engage in currency transactions involving international narcotics trafficking proceeds that include significant amounts of U.S. currency or currency derived from illegal drug sales in the United States or that otherwise significantly affect the United States.

Records exchange mechanism with U.S.:

The GOA has not reached an agreement for the exchange of records with the United States on investigations and proceedings related to narcotics, all-source money laundering, terrorism, and terrorist financing on a bilateral basis. The United States, however, utilizes agreements with multilateral organizations for the exchange of records.

International agreements:

The FIU was just established in 2009 and is not a member of the Egmont Group.

Azerbaijan 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

Azerbaijan is a member of MONEYVAL, a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:
http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/Evaluation_reports_en.asp

Recommendations:

The adoption of the new AML/CFT law is a good first step for Azerbaijan. The Government of Azerbaijan must work to fully implement the law and raise the capacity of obligated entities and government agencies, in particular the FIU and other supervisory bodies, to ensure all of them are aware of and fulfill their responsibilities. Azerbaijan should provide the necessary resources and authorities to its new FIU. The GOA should criminalize terrorist financing in line with international standards.

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.

Bahrain

Bahrain is the leading financial center in the Gulf region. In contrast with its Gulf Cooperation Council (GCC) neighbors, Bahrain has a service-based economy, with the financial sector providing more than 20 percent of GDP. It hosts a diverse group of financial institutions, including 188 banks, 22 moneychangers and money brokers, and several other investment institutions, including 87 insurance companies. The greatest risk of money laundering stems from illicit proceeds of foreign origin that transit the country. The vast network of Bahrain's banking system, along with its geographical location in the Middle East as a transit point along the Gulf and into Southwest Asia, may attract money laundering activities. Bahrain does not have a significant black market of smuggled goods or known linkages to drug trafficking.

Offshore Center: No

Free Trade Zones: Yes

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

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

In January 2001, the Government of Bahrain (GOB) enacted an anti-money laundering law (AML Law) that criminalizes the laundering of proceeds derived from any predicate 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/)

The 2001 AML Law was amended in August 2006 by Law 54/2006, which criminalizes the undeclared transfer of money across international borders for the purpose of money laundering or in support of terrorism. A controversial provision of Law 54 is a revised definition of terrorism that is based on the

Organization of the Islamic Conference definition. Article 2 excludes from the definition of terrorism acts of struggle against invasion or foreign aggression, colonization, or foreign supremacy in the interest of freedom and the nation's liberty.

Know-your-customer rules: Yes

Customer due diligence (CDD) is covered briefly in Decree Law 4/2001, which is applicable to all financial institutions. CDD must be performed before an account is opened and must also be carried out on occasional transactions above BD 6,000 (approximately $15,915). Anonymous accounts are not permitted in Bahrain. Outbound wire transfers are required to include details of the originator's information; records of all originator information must be maintained for incoming transfers.

Bank records retention: Yes

Obligated entities must maintain records of the identity of their customers for five years or in accordance with the Central Bank's AML regulations, as well as the exact amount of transfers.

Suspicious transaction reporting: Yes

The 2001 AML law provided for the creation of the Anti-Money Laundering Unit (AMLU) as Bahrain's financial intelligence unit (FIU). The AMLU receives STRs from banks and other financial institutions, investment houses, broker/dealers, moneychangers, insurance firms, real estate agents, gold dealers, financial intermediaries, and attorneys. Filing entities must also file STRs with their respective supervisors. From January through November 2009, the AMLU received and investigated 243 STRs, 46 of which have been forwarded to the courts for prosecution.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture: Yes

Under the provisions of DL 4/2001 it is possible to confiscate all property directly or indirectly derived from any criminal activity, as well as substitute assets and income yields. Alternatively, all other property belonging to the convicted person, his spouse, or minor children is subject to confiscation up to the value equivalent of the laundered assets.

Narcotics asset sharing authority:

The Bahrain authorities have not considered the establishment of an asset forfeiture fund.

Disposal of confiscated assets are devolved to the Treasury. In theory, asset sharing with other countries is made possible by Article 8.6 of DL 4/2001. However, there is no information that assets have ever been shared.

Cross-border currency transportation requirements: No

Law 54 also codified a legal basis for a disclosure system for cash couriers, though supporting regulations still must be enacted. In June 2008, the government moved to increase supervision of its borders, by placing ports and customs inspections under the Ministry of Interior which subsequently instructed its officials to strictly enforce laws against the illegitimate movement of currency.

Cooperation with foreign governments:

Mutual legal assistance between judicial authorities is generally governed by Article 426 – 428 of the 2002 Code of Criminal Procedure ("Letters rogatory"). In money laundering related matters, Article 8 of the AML Law 4/2001 gives the AMLU a specific responsibility in the execution of foreign assistance requests that goes beyond cooperation at the FIU level.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

The system of requiring dual STR reporting is described as a backup system.

In June 2008, authorities arrested two Bahrainis and one Syrian on charges of financing terrorism. In February 2009 all three suspects were convicted of financing terrorism. The one Bahraini in custody was sentenced to a one-year prison term; the other two, tried in absentia, were both sentenced to prison terms of five years. In April 2009, the Bahraini in custody was released several weeks early as part of a general pardon of 177 other security detainees.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

Bahrain does not have a mutual legal assistance agreement with the United States. Bahrain is able to share financial intelligence with the Financial Crimes Enforcement Network (FinCEN).

International agreements:

Bahrain 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

In December 2009, the government announced that Bahrain would become a party to the UN Convention against Corruption in the first half of 2010.

Bahrain hosts the Secretariat and is a member of the Middle East and North Africa Financial Action Task Force (MENFATF), a FATF-style regional body. Its most recent mutual evaluation can be found here:

http://www.menafatf.org/images/UploadFiles/MutualEvaluationReportOfBahrain.pdf

Recommendations:

The Government of Bahrain (GOB) has demonstrated a commitment to establishing an AML/CFT system and appears determined to engage its large financial sector in this effort. The AMLU should maintain its efforts to obtain and solidify the necessary expertise to track suspicious transactions. Nevertheless, there should not be an over-reliance on suspicious transaction reporting to initiate money laundering investigations. Authorities should continue to raise awareness within the capital markets and designated non-financial businesses and professions regarding STR reporting obligations and consider applying sanctions for willful noncompliance. Adequate resources should be devoted to the Ministry of Social Development to increase its oversight of NGOs and charities. Regulations should be enacted and enforced governing bulk cash smuggling and requiring the declaration of cash both going into and leaving Bahrain. The GOB should follow through to ensure Bahrain becomes a party to the UN Convention against Corruption. Bahrain should consider revising its definition of terrorism.

Bangladesh

Bangladesh is not a regional financial center. Money transfers outside the formal banking and foreign exchange licensing system are illegal and therefore not regulated. The principal money laundering vulnerability remains the widespread use of the underground hawala or “hundi” system to transfer money and value outside the formal banking network. The vast majority of hundi transactions in Bangladesh are used to repatriate wages from expatriate Bangladeshi workers. The Central Bank (CB) reports a considerable increase in remittances since 2002 through official channels; in 2009, remittances through official channels were $ 9.78 billion between January and November. The increase is due to competition from commercial banks through improved delivery time, guarantees, and value-added services such as

group life insurance. However, hundi remains entrenched because it is used to avoid taxes, customs duties, and currency controls. The non-convertibility of the local currency (the taka) coupled with intense scrutiny on foreign currency transactions in formal financial institutions also contribute to the popularity of hundi and black market money exchanges. In 2009, Bangladesh was ranked 139 out of 180 countries surveyed, an improvement on its ranking of 147 in 2008.

Offshore Center: No

Free Trade Zones: Yes

Bangladesh has three Export Processing Zones (EPZs), in Chittagong, Mongla and Dhaka. The EPZs offer tax breaks and other incentives to export-oriented industries.

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

In 2009, the Money Laundering Prevention Act (MLPA 2009) and the Prevention of Terrorism Act (PTA) were enacted. Although not fully compliant with international standards, the laws address many flaws in the preceding 2002 money laundering law. Under the provisions of the MLPA 2009, money laundering is a criminal offense. The MLPA 2009 applies to money laundering through the commission of a predicate offense. A list of offenses is detailed in the MLPA 2009, and includes corruption and bribery; counterfeiting currency, deeds and documents; extortion; fraud; forgery; illegal trade in narcotics, arms and stolen goods; kidnapping; murder; black marketing; theft; illegal immigration; dowry crimes; and any other offense the GOB subsequently declares to be a predicate offense. Terrorism is not among the listed predicates.

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 PTA introduces terrorist financing into the Bangladeshi legal system for the first time. The PTA authorizes the filing of suspicious transaction reports (STRs) related to terrorist financing, empowers the Central Bank (CB) to monitor suspect financial transactions related to terrorist financing and prohibits a person from using or possessing property or the proceeds of terrorist activity.

Know-your-customer rules: Yes

Since Bangladesh only began in mid-2007 to develop a national identity card (in the form of a voter registration card) and because the vast majority of Bangladeshis do not have a passport, there are difficulties in enforcing customer identification requirements. In most cases, banking records are maintained manually.

Bank records retention: Yes

Banks must keep customer identification and transaction records for five years after termination of the relationship with the customer.

Suspicious transaction reporting: Yes

Banks and financial institutions are required to report suspicious transaction reports (STRs) to the Central Bank. The MLPA 2009 also lists other reporting organizations that are required to submit STRs; these include: insurance companies, money changers and remitters, fund-transfer companies or organizations, and companies permitted to operate as business organizations under the CB's authority. The CB also has the right to notify other organizations that they must function as reporting entities for purposes of the MLPA 2009.

In May 2007, the GOB identified the CB's Anti-Money Laundering Department (AMLD) as Bangladesh's financial intelligence unit (FIU). The FIU depends on the CB for its operation and budget. In the first ten months of 2009, the AMLD received 37 STRs, all of which are currently under analysis nd have not as yet been forwarded to the law enforcement agencies.

Large currency transaction reporting:

The CB mandates cash transaction reports (CTRs). In September 2007, the CTR threshold increased from 500,000 to 700,000 takas (approximately $10,200).

Narcotics asset seizure and forfeiture:

The MLPA 2009 allows the CB, without a court order, to order any bank or financial institution to suspend a transaction or freeze an account for a period of 30 days when there are reasonable grounds to suspect that a transaction involves the proceeds of a crime. The CB may extend such orders for an additional 30 days for the purpose of further investigation.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: No

Bangladeshis are not allowed to carry cash outside of the country in excess of the equivalent of $3,000 to South Asian Association for Regional Cooperation (SAARC) countries and the equivalent of $5,000 to other countries. The reporting requirements are not geared towards detecting money laundering but rather enforce currency exchange controls. The GOB does not place a limit on how much currency can be brought into the country, but amounts over $5,000 must be declared within 30 days. The Customs Bureau is primarily a revenue collection agency, accounting for 40-50 percent of Bangladesh's annual government income.

Cooperation with foreign governments:

The Attorney General's Office is the central authority for mutual legal assistance requests. In August 2008, the GOB signed the South Asian Association for Regional Cooperation (SAARC) Convention on Mutual Assistance in Criminal Matters. The government has so far sent Mutual Legal Assistance Requests on tracing, freezing and seizure to foreign jurisdictions. The MLPA of 2009 allows the FIU to enter into agreements with foreign FIUs to exchange information. However, many counterparts require that the Bangladesh FIU be a member of the Egmont Group before negotiating MOUs with Bangladesh.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

In Bangladesh, the hawala/hundi system is the primary means to transfer money and value. Although primarily used to remit wages, the system is also used by criminals and criminal organizations. The regional hundi system primarily uses trade goods to provide counter valuation or a method of balancing the books in transactions. It is part of trade-based money laundering and a compensation mechanism for the significant amount of goods smuggled into Bangladesh. An estimated $1 billion dollars worth of dutiable goods are smuggled every year from India into Bangladesh. A comparatively small amount of goods are smuggled out of the country into India. Hard currency and other assets flow out of Bangladesh to support the smuggling networks.

Bangladesh authorities have not yet tried any cases under the newly enacted PTA 2009. However, in October the government declared the militant outfit Hizb-ut-Tahrir to be a banned organization under the PTA 2009, and CB issued an order to all banks across the country to freeze all accounts of the organization. In November 2009, the CB ordered accounts of three members of Lashkar-e-Tayyiba to be

frozen in conjunction with ongoing investigations. Since 2003, Bangladesh has frozen nominal sums in accounts of three designated entities on the UNSCR 1267 Sanctions Committee's consolidated list.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

The Bangladeshi FIU does not currently have an information sharing agreement with the Financial Crimes Enforcement Network.

International agreements:

The Bangladeshi FIU is not a member of the Egmont Group of FIUs.

Bangladesh 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

Bangladesh is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. The 2009 mutual evaluation will be available here:

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

Recommendations:

Although positive legislation has been passed and progress has been made, the Government of

Bangladesh (GOB) should continue to strengthen its anti-money laundering/counter-terrorist financing regime so that it adheres to international standards. While the FIU is growing steadily, the FIU analysts and investigators need to enhance their ability to conduct analysis and investigations, understand money laundering and terrorist financing methodologies and guide the reporting entities. Other key challenges the GOB must address include encouraging cooperation among myriad GOB entities and increasing the capacities of investigators and prosecutors. Bangladeshi law enforcement and customs should examine forms of trade-based money laundering and proactively initiate money laundering and financial crimes investigations. A crackdown on pervasive customs fraud would add new revenue streams for the GOB. Continued efforts should be made to fight corruption, which is intertwined with money laundering, smuggling, customs fraud, and tax evasion. The GOB should ratify the UN Convention against Transnational Organized Crime and encourage international cooperation through the establishment of a functioning mutual legal assistance regime.

Barbados

Barbados remains vulnerable to money laundering, primarily in the formal banking system. Domestically, money laundering is largely drug-related and appears to be derived from the trafficking of cocaine and marijuana, as Barbados is a transit country for illicit narcotics. There is also evidence of Barbados being exploited in the layering stage of money laundering with funds originating abroad. The major source of these funds appears to be connected to fraud.

Offshore Center: Yes

As of October 2009, the offshore sector includes 2,927 international business companies (IBCs), compared to 4,635 in 2008; 153 exempt insurance companies and 73 qualified exempt insurance companies; ten mutual funds companies and two exempt mutual fund companies; nine trust companies; five finance companies; and 52 offshore banks. There are no domestic or offshore casinos, or internet

gaming sites. The International Business Companies Act (1992) provides for the general administration of IBCs. The International Business (Miscellaneous Provisions) Act 2001 enhances due diligence requirements for IBC license applications and renewals. Bearer shares are not allowed. The International Financial Services Act (IFSA) requires offshore applicants to disclose directors' and shareholders' names and addresses; companies are not allowed to have anonymous directors. The Central Bank regulates and supervises domestic and offshore banks, trust companies, and finance companies. Offshore banks must submit quarterly statements of assets and liabilities and annual balance sheets to the Central Bank, which has the mandate to conduct on-site examinations of offshore banks. Financial statements of IBCs are audited if total assets exceed $500,000.

Free Trade Zones: No

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

The Government of Barbados (GOB) criminalizes drug money laundering through the Proceeds of Crime Act and the Drug Abuse (Prevention and Control) Act, 1990-14.

Criminalizes other money laundering, including terrorism-related: Yes

The Money Laundering (Prevention and Control) Act 1998 (MLPCA) and subsequent amendments extend the offense of money laundering by criminalizing the laundering of proceeds from unlawful activities. However, it is unclear whether human trafficking and some corruption categories, such as bribery, have been made predicate offenses for money laundering in Barbados. The MLPCA applies to a wide range of financial institutions, including domestic and offshore banks, IBCs, insurance companies, money remitters, investment services, and any other services of a financial nature.

Criminalizes terrorist financing: Yes

The Anti-Terrorism Act of 2002, as well as provisions of the Money Laundering Financing of Terrorism (Prevention and Control) Act (MLFTA), criminalizes the financing of terrorism.

The GOB circulates to financial institutions the names of suspected terrorists and terrorist organizations listed on the UNSCR 1267 Sanctions Committee's Consolidated List and the list of Specially Designated Global Terrorists designated by the United States. In 2009, the GOB found no evidence of terrorist financing.

Know-your-customer rules: Yes

The MLPCA requires covered institutions to identify their customers. Customer due diligence (CDD) measures include customer identification; beneficial ownership requirements; and enhanced due diligence for new technologies, correspondent banking, and high risk customers such as politically exposed persons and non-face-to-face customers. Financial institutions are required to conduct ongoing due diligence on business relationships engaging in exchanges of $10,000 or more, and all international funds transfers of $10,000 or more, or those transiting Barbados. However, Barbados does not have stringent beneficial ownership identification requirements or strong CDD regulations regarding non-customer transactions of a suspicious nature.

Bank records retention: Yes

Covered institutions must maintain records of all transactions exceeding $5,000 for a period of five years.

Suspicious transaction reporting: Yes

Under the MLPCA, covered institutions must report suspicious transactions, including those that may be indicative of terrorist financing, to the Barbados Financial Intelligence Unit (BFIU). Between January 1, 2009 and November 30, 2009, the FIU received 125 Suspicious Activity Reports; one was referred to the Commissioner of Police.

Large currency transaction reporting: Yes

Under the MLPCA, covered institutions must report all transactions exceeding $5,000

Narcotics asset seizure and forfeiture:

The MLPCA provides for criminal asset seizure and forfeiture; however it applies only to traceable proceeds of crime, and not to instrumentalities or other assets of a convicted defendant. In 2001, the GOB amended legislation to shift the burden of proof to the accused to demonstrate that property in his or her possession is derived from a legitimate source. The law also enhances the GOB's ability to freeze bank accounts. Tracing, seizing and freezing assets may be done by the FIU and the police. Freezing orders are usually granted for six months after which they need to be reviewed. Frozen assets may be confiscated by the Director of Public Prosecutions and are paid into the National Consolidated Fund. Despite the use of freezing mechanisms, and having both criminal and civil asset forfeiture laws, Barbados has not completed any forfeitures, either domestically or at the request of the United States.

In 2009, the Chief Parliamentary Counsel (CPC) drafted new legislation to strengthen the existing MLFTA. One significant change would provide for payment to the government of an amount equal to the value of the property where the property is no longer available for forfeiture. This legislation is pending action by the Cabinet and is expected to proceed with no obstacles.

Narcotics asset sharing authority: Yes

No asset sharing law has been enacted, but bilateral treaties as well as the Mutual Assistance in Criminal Matters Act have provisions for asset tracing, freezing and seizure between countries.

Cross-border currency transportation requirements:

Barbados has a cross-border reporting system for all persons carrying BDS 10,000 (approximately $5,000) entering or leaving Barbados. It should be noted that suspicion of money laundering, terrorist financing, or making a false declaration does not provide a basis for stopping a person and seizing currency and negotiable instruments. The MLFTA contains provisions to control bulk cash smuggling and the use of cash couriers. The international transportation of currency and monetary instruments is limited by the Exchange Control Cap Act 71 and the MLPCA Act Cap 129. Permission must be obtained from the Central Bank to move currency in excess of $10,000 abroad.

Cooperation with foreign governments (including refusals):

Barbados' inability to freeze terrorist assets could hinder its cooperation with investigations of terrorist financing. Although Barbados has frozen some funds at the request of foreign governments, it has not yet obtained final forfeiture or sharing of any of those assets.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

The FIU is inadequately staffed to meet growing demands.

There is no requirement to freeze terrorist funds or other assets of persons designated by the UNSCR 1267 Sanctions Committee.

The GOB has not taken any specific initiatives focused on alternative remittance systems or the misuse of charitable and nonprofit entities.

U.S.-related currency transactions:

No information available**.**

Records exchange mechanism with U.S.:

A Mutual Legal Assistance Treaty (MLAT) and an extradition treaty between the United States and Barbados entered into force in 2000. Barbados has a bilateral tax treaty with the United States. The

Barbados FIU is able to exchange information with the Financial Crimes Enforcement Network through the Egmont Group.

International agreements:

Barbados has bilateral tax treaties that eliminate or reduce double taxation with the United Kingdom, Canada, Finland, Norway, Sweden, and Switzerland. The treaty with Canada currently allows IBCs and offshore banking profits to be repatriated to Canada tax-free after paying a much lower tax in Barbados. The FIU has entered into memoranda of understanding with other FIUs.

Barbados 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

Barbados is a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering. Barbados also 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 Barbados has taken a number of steps in recent years to strengthen its anti-money laundering/counter-terrorist financing legislation, and should continue to implement these reforms. The GOB should devote sufficient resources to ensure the FIU, law enforcement, supervisory agencies, and prosecutorial authorities are properly staffed and have the capacity to better perform their duties. The GOB should amend its legislation to allow for the seizure of suspected illegal funds at the border and to allow the freezing of funds or assets linked to terrorist financing, al-Qaida or the Taliban. Barbados should consider the adoption of civil forfeiture and asset sharing legislation. Supervision of nonprofit organizations, charities, designated nonfinancial businesses and professions, and money transfer services should be strengthened, as should information sharing between regulatory and enforcement agencies. Finally, to further enhance its legal framework against money laundering, Barbados should move expeditiously to become a party to the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

Belarus

A general lack of transparency throughout the Belarus financial sector means that assessing the level of or potential for money laundering and other financial crimes is difficult. Corruption and illegal narcotics trafficking are primary sources of illicit proceeds. Due to excessively high taxes, underground markets, and the dollarization and eurozation of the economy, a significant volume of foreign-currency cash transactions eludes the banking system, and smuggling is widespread. Corruption is a serious problem in Belarus, which hinders law enforcement and impedes much-needed reforms. Economic decision-making in Belarus is highly concentrated within the top levels of government. Recent decrees, although substantially liberating the country's business climate, have nevertheless left all major economic levers in the hands of the president and the Government of Belarus (GOB).

Offshore Center: No

Free Trade Zones: Yes

Based on a 1996 Presidential Decree, Belarus has established one free economic zone (FEZ) in each of Belarus' six regions. The president creates FEZs upon the recommendation of the Council of Ministers and can dissolve or extend the existence of a FEZ at will. The Presidential Administration, the State

Control Committee (SCC), and regional authorities supervise the activities of companies in the FEZs. According to the SCC, applying organizations are fully vetted before they are allowed to operate in an FEZ. Presidential Decree 66 tightens FEZ regulations on transaction reporting. Banks in the zones are currently subject to all regulations that apply to banks outside the zones.

Criminalizes narcotics money laundering: Partially

Belarus' "Law on Measures to Prevent the Laundering of Illegally Acquired Proceeds" (AML/CFT Law), most recently amended in 2005, establishes the legal and organizational framework to prevent money laundering and terrorist financing. The AML/CFT Law does not fully incorporate provisions necessary to adequately criminalize all aspects of drug money laundering. Belarus criminalizes self-laundering, but restricts the self-laundering offense to cases that involve using the illicit proceeds to carry out entrepreneurial or other business activities.

Criminalizes other money laundering, including terrorism-related: Yes

Although Belarus has adopted an all crimes approach to money laundering predicate offenses (with some exceptions for tax evasion crimes), it does not criminalize insider trading and market manipulation, and therefore does not meet international standards. The law defines "illegally acquired proceeds" as currency, securities or other assets, including real and intellectual property rights, obtained in violation of the law. A money laundering conviction does not require conviction of the predicate offense.

Criminalizes terrorist financing: Yes

Terrorism is a crime in Belarus and the willful provision or collection of funds in support of terrorism by Belarus nationals or persons in its territory constitutes participation in terrorism by aiding and abetting. In December 2005, the Parliament amended the Criminal Code to explicitly define terrorist activities and terrorism finance. Article 290-1 of the Criminal Code explicitly criminalizes terrorist financing. However, the law does not criminalize indirect provision of money; provision of funds for a terrorist organization or an individual terrorist, if the funds are not intended for a specific act of terrorism; or the financing of theft of nuclear materials for terrorist purposes. Legal entities are not criminally liable for terrorist financing but may be liquidated upon indictment by the General Prosecutor.

Know-your-customer rules: Yes

Belarusian AML/CFT legislation does not contain a clear requirement to perform customer due diligence upon establishing business relations with a customer. However, under Article 5, persons carrying out transactions subject to mandatory suspicious or large currency transaction reporting must be identified.

Bank records retention: Yes

Article 5 of the AML/CFT Law requires all financial institutions to retain documents relating to financial transactions for at least five years from the date of their completion – not from the end date of a business relationship as recommended by the relevant international standard.

Suspicious transaction reporting: Yes

Under Article 1 of the AML/CFT Law, the following are subject to suspicious transaction reporting requirements (STRs): banks and non-bank financial credit institutions; professional operators of the securities market; persons engaged in exchange transactions, including commodity exchanges; insurance firms and insurance brokers; postal service operators; and firms leasing out property. All financial institutions are obligated to report suspicious transactions regardless of value to the financial intelligence unit (FIU) – the Financial Monitoring Department (DFM). The AML/CFT Law exempts most government transactions and those sanctioned by the President from reporting requirements. The government also has used the AML/CFT Law as a pretext for preventing several pro-democracy NGOs from receiving foreign assistance.

Large currency transaction reporting: Yes

Belarus has created a system of mandatory reporting whereby financial institutions must report to the DFM all large-value transactions over 2,000 basic units for natural persons or over 20,000 basic units (approximately $24,500 and $245,000, respectively) for organizations and individual entrepreneurs. However, presidential edict 601 signed on November 4, 2008 exempts Belarusian banks from this requirement and introduces a requirement for banks to identify one-time clients with transactions equal to or exceeding $12,280.

Narcotics asset seizure and forfeiture: Yes

Belarusian legislation provides for broad seizure powers enabling law enforcement to identify and trace assets. The Criminal Code provides for asset forfeiture for all serious offenses, including money laundering where narcotics trafficking is the predicate offense. Seizure of assets from third parties appears possible but is not specifically codified. The seizure of funds or assets held in a bank requires a court decision, a decree issued by a body of inquiry or pre-trial investigation, or a decision by the tax authorities.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: Yes

Upon entry into or departure from the country, travelers must declare in writing any sum over $3,000. Travelers departing Belarus with sums exceeding $10,000 are required to secure permission from the National Bank to carry that amount of currency. However, the declaration system was not designed nor is it used to prevent and interdict bulk cash smuggling. Individuals may import or export securities certificates and payment instruments denominated in foreign currencies without any limitations on the amount and without the declaring them. Customs authorities are unable to apply sanctions on the basis of suspicion of money laundering or terrorist financing against persons moving funds cross-border.

Cooperation with foreign governments:

Belarusian legislation does not contain any conditions that would excessively restrict the provision of mutual legal assistance. The GOB has entered into a number of bilateral agreements. Within the Commonwealth of Independent States (CIS) mutual legal assistance is provided under the Convention on Legal Assistance and Legal Relations in Civil, Family, and Criminal Cases.

U.S. or international sanctions or penalties: Yes

After a presidential election in 2006 that was condemned as fraudulent, senior Belarusian officials were barred from traveling to the United States and the European Union.

In 2007, the United States imposed sanctions on the state petrochemical conglomerate, Belneftekhim, which U.S. officials believe is personally controlled by President Alexander Lukashenko. The company accounts for about one-third of Belarus' foreign currency earnings.

In December 2009, the European Parliament adopted a resolution that supports maintaining sanctions against Belarusian officials in order to prompt greater democratization.

Enforcement and implementation issues and comments:

Belarus has made an effort to ensure cooperation and coordination between state bodies through the Interdepartmental Working Group established specifically to address AML/CFT issues.

Although the DFM is an autonomous unit within the State Control Committee of Belarus with the rights of a legal entity, it does not have an independent budget and cannot independently hire staff.

Belarus does not have an adequate system in place to freeze without delay terrorist assets. The AML/CFT Law (Article 5) requires banks and designated non-bank financial institutions to suspend a financial

transaction if one of its participants is a person suspected of being involved in terrorist activities or controlled by terrorists. The National Bank provides banks with the State Security Committee's lists of persons suspected of being involved in terrorist activities or controlled by persons engaged in terrorism—including persons on the UNSCR 1267 Sanctions Committee's consolidated list. Other non-bank financial institutions do not receive the terrorist lists and have little awareness of freezing requirements.

U.S.-related currency transactions:

The U.S. dollar is commonly used in both the legitimate and underground economies and, together with the euro, is the currency of choice for money laundering.

Records exchange mechanism with U.S.:

The United States and Belarus do not have a mutual legal assistance agreement in place.

International agreements:

Belarus has signed bilateral treaties on law enforcement cooperation with Afghanistan, Bulgaria, India, Latvia, Lithuania, the People's Republic of China, Poland, Romania, Syria, Turkey, the United Kingdom, and Vietnam. In 2009, the DFM signed an AML agreement with its Macedonian counterpart. The DFM cooperates with counterparts in foreign states and with international organizations.

Belarus 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

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

Recommendations:

The Government of Belarus (GOB) has taken steps to construct a legal and regulatory framework to fight money laundering and terrorist financing. It should focus on the full implementation of existing legislation and enact amendments to its laws, where necessary, to accomplish the following: implementing strict regulation of industries operating within the FEZ areas; reinstating the identification requirement for foreign currency exchange transactions; extending the AML/CFT Law's application to the governmental transactions that are currently exempted under the law; and honing its guidance on and enforcement of suspicious transaction reporting. The GOB also should bring the non-financial sectors under the same AML/CFT requirements that it imposes on the financial sector, and ensure resources for supervision, monitoring and a sanctions regime for noncompliance. Belarus' AML/CFT legislation should be further amended to comport with international standards and to provide for more transparency and accountability. The GOB should ensure the regulations and guidance provided by the National Bank and other regulators are legally binding. Similarly, the National Bank should be given the authority to carry out its responsibilities, and not be subject to influence by the Presidential Administration. The GOB should provide law enforcement agencies and the judiciary with appropriate resources and training to increase their capacity to investigate and prosecute money laundering and terrorist financing offenses. Belarus should provide adequate staff, tools, training and financial resources to its FIU so it can operate effectively. The GOB must work to further improve the coordination among agencies responsible for enforcing AML/CFT measures. Belarus should implement measures to provide for the timely freezing of assets of individuals and entities designated by the UNSCR 1267 Sanctions Committee. The GOB should take serious steps to combat corruption in commerce and government. The GOB also should take steps to ensure the AML/CFT framework operates more objectively and less as a political tool.

Belgium

Belgium's banking industry is of medium size, with assets of over $2 trillion dollars in 2009. Illicit funds, formerly consisting mostly of narcotics trafficking proceeds, now derive mainly from serious forms of financial crime, including tax crime. Other noteworthy predicate offenses include trafficking in persons and goods. Authorities note that criminals are increasing their use of remittance transactions and shell companies, and are abusing non-financial sectors, in particular lawyers, real estate and nonprofit organizations to launder money. The Belgian diamond industry also has been used to launder money.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

Article 505 of the Belgian Penal Code criminalizes laundering of money derived from any criminal offense. Belgium's anti-money laundering/counter-terrorist financing (AML/CFT) system is contained in its Law of 11 January 1993 (AML/CFT Law) on preventing use of the financial system for the purpose of money laundering or terrorist financing.

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 January 2004, the Belgian Parliament passed legislation criminalizing terrorist acts and material support (including financial support) for terrorist acts, and allowing judicial freezes on terrorist assets. The law prohibits the provision of material support to terrorists groups by nonprofit organizations. Article 140 of the Penal Code criminalizes participation in the activity of a terrorist group, and Article 141 criminalizes the provision of material resources, including financial assistance, to terrorist groups.

Know-your-customer rules: Yes

Belgium's AML/CFT law mandates customer due diligence and reporting requirements that apply to the formal financial sector as well as non-financial businesses and professions, including estate agents, private security firms, funds transporters, diamond merchants, notaries, bailiffs, auditors, chartered accountants, tax advisors, certified accountants, surveyors, lawyers and casinos. Financial institutions must comply with know your customer principles, regardless of transaction amount.

Bank records retention: Yes

Institutions must maintain records on the identities of clients engaged in transactions that are considered suspicious or that involve an amount equal to or greater than 10,000 euros (approximately $15,000) as well as retain records of suspicious transactions reported to the financial intelligence unit (FIU) for at least five years.

Suspicious transaction reporting: Yes

Belgian law mandates reporting of suspicious transactions to the FIU by a wide variety of financial institutions and non-financial entities, including notaries, accountants, bailiffs, real estate agents, casinos, cash transporters, external tax consultants, certified accountant-tax experts, and lawyers. The FIU's primary mission is to receive, analyze, and disseminate all suspicious transaction reports (STRs) submitted by obligated entities. In 2008, the FIU received 15,554 disclosures and transmitted 937 cases to the public prosecutor.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture:

The Government of Belgium (GOB) has created a sophisticated and comprehensive confiscation and seizure regime, encompassing the Central Office for Seizure and Confiscation (COSC), operating under the auspices of the Ministry of Justice. The COSC ensures that authorities execute confiscations and seizures smoothly and efficiently in accordance with the law. Belgian law requires a judicial order to execute confiscations and seizures, and allows civil as well as criminal forfeiture of assets. Seizures in Belgium can be direct or indirect. Direct seizures involve the seizure of items linked directly to a crime. Indirect seizures are "seizures by equivalence," usually of homes, cars, jewels and other items not directly linked to the crime in question.

The Ministry of Finance can administratively freeze assets of individuals and entities who are on the UNSCR 1267 Sanctions Committee's consolidated list and/or those covered by a European Union (EU) asset freeze regulation.

Narcotics asset sharing authority:

A law passed in July 2006 allows for the possibility of the sharing of seized assets from serious crimes, including those related to narcotics, on a reciprocal basis.

Cross-border currency transportation requirements: Yes

A Royal decree on measures to control cross-border transportation of cash came into force on June 15, 2007. The Royal decree stipulates the obligation to declare transportation of currency worth 10,000 euros or more entering or leaving the EU/Belgium. In cases of failure to declare, or if there is a suspicion that the cash declared originates from illegal activities or is intended to finance such activities, the Belgian Customs and Excise administration may confiscate the cash for up to 14 days and send a report to the FIU. From June 2007 to December 2008, Belgian Customs filed 815 reports with the FIU, representing 37.2 billion euros.

Cooperation with foreign governments:

Belgium is a cooperative and reliable partner in law enforcement efforts. The federal police enjoy cross-border cooperation with other police and investigative services in neighboring countries. Belgium does not require an international treaty as a prerequisite to lending mutual assistance in criminal cases.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Authorities believe that 3,500 phone shops, small businesses where customers can make inexpensive phone calls and access the internet, are operating in Belgium. Only an estimated one-quarter of these shops are formally licensed. Since 2004, Belgian police have made a series of raids on these businesses. In some phone shops, authorities uncovered money laundering operations and hawala-type banking activities. Raids in some locations uncovered numerous counterfeit phone cards in addition to evidence of money laundering activities. Authorities have closed more than 200 such shops since 2004, and estimate that the Belgian state loses up to $256 million in tax revenue each year through tax evasion by these businesses. Authorities report that phone shops often declare bankruptcy and later reopen under new management, making it difficult for officials to trace ownership and collect tax revenues.

Fully 80 percent of the world's rough diamonds and 50 percent of polished diamonds pass through Belgium. The GOB recognizes the particular importance of the diamond industry, as well as the potential vulnerabilities it presents to the financial sector. Belgium's robust diamond industry presents special challenges for law enforcement, but authorities have transmitted a number of cases relating to diamonds to the public prosecutor, and they monitor the sector closely in cooperation with local police and diamond industry officials.

Money laundering legislation imposes restrictions on cash payments for real estate. Only an amount not exceeding 10% of the sales price, up to a maximum of 15,000 euros (approximately $22,500), can be paid in cash. The agreement and deed of sale must specify the number of the financial account from which the amount was or will be debited. Cash payments over $25,000 for goods are also illegal.

In 2008 the federal police referred to the public prosecutor 385 individual cases involving money laundering, fraud, and corruption.

U.S.-related currency transactions:

No reliable estimates exist for the amount of US currency in circulation in Belgium. However, US currency in Belgium does not significantly affect the U.S. market or impact the number of dollars in circulation. Belgium has an open market economy and received $21 billion worth of goods from the U.S. in 2009, exporting $13 billion back to the U.S. Remittances both ways are insignificant. Belgium does not produce illegal drugs or counterfeit items for sale in the U.S., and despite being a transport hub for Europe, does not export or re-export significant amounts of these items directly to the U.S.

Records exchange mechanism with U.S.:

A mutual legal assistance treaty (MLAT) between Belgium and the United States has been in force since 2000. Belgium and the United States have since amended and supplemented this treaty, in implementation of the U.S. - EU extradition and mutual legal assistance agreements.

International agreements:

The FIU shares information with its European colleagues.

Belgium 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

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

Recommendations:

The Government of Belgium's (GOB) continuing implementation of the international standards complements an already solid anti-money laundering regime and a clear official commitment to fighting financial crimes, including the financing of terrorism. The GOB should expedite the adoption of legislation aligning the country's laws with the third EU Directive.

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.

Bermuda

An overseas territory of the United Kingdom (UK), Bermuda is a major offshore financial center. It is the third largest reinsurance center in the world and the second largest captive insurance domicile. Bermuda is not considered a major drug transit country; however, the majority of the money laundering that occurs

in Bermuda is believed to be related to the domestic drug trade. Money laundering proceeds are controlled primarily by gangs, which have proliferated in recent years. There is no significant black market for smuggled goods in Bermuda.

Offshore Center: Yes

According to the Registrar of Companies, at the end of September 2009, there were 13,634 exempted or international companies registered in Bermuda, 1,230 exempted partnerships, 536 overseas companies and 70 overseas partnerships. In March 2008, there were a total of 1,315 investment funds in Bermuda: 883 mutual funds, 80 umbrella funds, and 388 segregated accounts. There were also 106 unit trusts and 168 umbrella trusts. The majority of international businesses are exempted companies, which means they are exempt from Bermuda laws that apply to local entities, including the restriction that at least 60 percent of local entities must be owned by Bermudan residents. An exempt company is not subject to currency controls or capital controls, and is free from all forms of direct taxation on income and capital gains. The majority of Bermuda's exempt companies are not required to have a physical presence on the island. Local directors (generally a local lawyer and secretary) are designated to manage corporate affairs in Bermuda. Directors must be natural persons. Before exempt companies can be established or any shares transferred between nonresidents, the owners and controllers must be vetted by the Bermuda Monetary Authority (BMA), the sole regulatory body for financial services. Bermuda does not permit offshore banks or bearer shares.

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

In 1997, the Government of Bermuda (GOB) first passed specific anti-money laundering legislation, enacting the Proceeds of Crime Act (POCA) to apply money laundering controls to financial institutions such as banks, deposit companies, and trust companies. Subsequent amendments expanded the scope of the legislation to cover the proceeds of all indictable offenses and added investment businesses, including broker-dealers and investment managers, to the list of regulated institutions.

In December 2009, to implement Schedule 7 of the UK Counter Terrorism Act 2009, the Bermuda Parliament passed the Anti-Terrorism (Financial and Other Measures) Amendment Act 2009 and the Proceeds of Crime (Anti-Money Laundering and Terrorist Financing) Regulations 2009. The act and regulations are expected to be enacted on January 13, 2010. The Minister of Justice is empowered, under certain strictly defined conditions, to give directions relating to enhanced due diligence, enhanced ongoing monitoring, systematic reporting and limiting/ceasing business.

Criminalizes terrorist financing: Yes

Bermuda has criminalized the financing of terrorism. The act of terrorism is defined in section 3 of the Anti-Terrorism (Financial and Other Measures) Act 2004 (ATFA) and also the Terrorism (United Nations Measures) (Overseas Territories) Order 2001, which the U.K. enacted and which is applicable to Bermuda. Effective January 1, 2009, the Anti-Terrorism (Financial and Other Measures) Amendment Act 2008 broadens the meanings of terrorism and terrorist financing and adds the offenses of tipping-off, directing others to commit offenses, and "offenses by bodies corporate, partnerships, and unincorporated associations."

Know-your-customer rules: Yes

The POCA includes know-your-customer requirements and provides for the monitoring of accounts for suspicious activity. Furthermore, the GOB performs due diligence on persons seeking to undertake business on the island at the time of incorporation. A personal declaration form must be submitted for beneficial owners of international businesses prior to incorporation. Similar requirements apply to proposals to transfer shares. Additionally, a company must detail its business plan and maintain a register

of shareholders at its registered office. Legislation requires financial institutions to verify the accuracy of the information on the payer/originator before transferring funds via wire.

Bank records retention: Yes

Banks and other financial institutions are required to retain records for a minimum of five years.

Suspicious transaction reporting: Yes

Bermuda established the Financial Intelligence Agency (FIA), as its financial intelligence unit (FIU) in November 2008 to replace the FIU housed within the Police Department. The FIA acts as an independent agency authorized to receive, analyze and disseminate information and suspicious activity reports (SARs). The FIA received 651 SARs in 2009; of those, it referred 73 to investigatory authorities.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture: Yes

Bermuda has enacted asset forfeiture and seizure legislation. Any payment received by a defendant in connection with a money laundering offense is subject to confiscation. For persons convicted of money laundering, the POCA Amendment Act 2008 empowers the court to order the forfeiture of any property used for the purposes of the money laundering offense. Bermuda law allows for civil as well as criminal forfeiture. In 2009, $70,096 in cash was forfeited pursuant to the Misuse of Drugs Act 1974. Confiscation orders made under the POCA totaled $104,329 in 2009.

Narcotics asset sharing authority: Yes

Seized assets are placed into the Confiscated Assets Fund and may be shared with other jurisdictions at the direction of the Minister of Finance.

Cross-border currency transportation requirements: Yes

In March 2009, Bermuda updated the Revenue Act 1898 to strengthen the requirements relating to cross border transportation of currency and monetary instruments. The threshold for reporting is $10,000. Mandatory declaration forms are used for all incoming passengers (regardless of point of embarkation) and for outgoing passengers to the US. For outgoing passengers to Canada and the U.K. there is a disclosure system in place. Additionally, goods, currency and negotiable instruments may be forfeited if not declared or falsely declared.

Cooperation with foreign governments:

Bermuda cooperates well with the United States and other governments investigating financial crimes relating to narcotics, terrorism, and terrorist financing. In 2009, Bermuda moved onto the Organization for Economic Co-operation and Development's "white list" with the signing of Tax Information Exchange Agreements (TIEAs) with multiple jurisdictions.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Bermuda averaged 200-250 STRs per year from 2003-2008. Of those, only a fraction was investigated. In 2009, the GOB arrested 15 persons on suspicion of money laundering. Of the 15 arrested, two people were charged and five people are waiting to be charged. In the past five years there has been one prosecution and conviction for money laundering (in 2008).

Bermuda has circulated to its financial institutions all of the relevant lists relating to terrorist organizations/financiers. There have been no arrests, prosecutions or convictions for terrorist financing in Bermuda nor have there been any asset seizures or forfeitures.

U.S.-related currency transactions:

The National Anti-Money Laundering Committee (NAMLC) believes the currency used in Bermuda for payment to international narcotics traffickers is the US dollar and that there have been cases where traffickers utilized the formal financial sector for money laundering purposes. The proceeds of narcotics trafficking may be destined for the U.S. or may pass through the U.S. for transmission to some other country.

Records exchange mechanism with U.S.:

On January 12, 2009, the United States and the GOB signed a mutual legal assistance treaty. Bermuda executed its first TIEA in 1986 in a treaty between the United States, the United Kingdom, and Bermuda. The FIA is able to exchange information with the Financial Crimes Enforcement Network (FinCEN).

International agreements:

As a Crown dependency, Bermuda relies on the UK to extend to it provisions from relevant international conventions, treaties and resolutions. The UK extends coverage of the 1988 Drug Convention to Bermuda. Bermuda has TIEA arrangements with other jurisdictions. As of December 21, 2009, Bermuda has signed 18 TIEAs with the following jurisdictions: Aruba, Australia, Denmark, Faroe Islands, Finland, France, Germany, Greenland, Iceland, Ireland, Japan, Mexico, the Netherlands, New Zealand, Norway, Sweden, the United Kingdom and the United States. Bermuda expects to sign additional TIEAs in early 2010 with Belgium, Canada, Japan, Portugal, and Spain. The FIA signed Memoranda of Understanding with Armenia, Australia, Belgium, Canada, Indonesia, Korea, Monaco, Montenegro, the Netherlands Antilles, Nigeria, the Philippines, Romania, St. Vincent and the Grenadines, United Arab Emirates, the United Kingdom, and the United States.

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

Recommendations:

The Government of Bermuda should ensure that its offshore sector and exempt companies are subject to the appropriate safeguards to prevent their misuse as potential conduits of money laundering, tax evasion, and other financial crimes. The low number of money laundering prosecutions and convictions suggests an over-reliance on STRs to initiate investigations. More emphasis should be given to the police and customs to identify and pursue financial crimes investigations proactively. The GOB should use the same mandatory declaration system for all persons leaving the country, no matter their destination.

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 subj

Bosnia and Herzegovina

Bosnia and Herzegovina (BiH) has a primarily cash-based economy and is not an international or regional financial center. Most money laundering activities in BiH are for purposes of evading taxes. A lesser portion involves concealing the proceeds of illegal activity (trafficking, drugs, corruption, etc.). BiH authorities have had some success in clamping down on money laundering in the formal banking system. However, with porous borders and weak enforcement capabilities, BiH is a significant market and transit point for smuggled commodities including cigarettes, narcotics, firearms, counterfeit goods, lumber, and fuel oils. Bosnia is also vulnerable to terrorist financing. The cash-based economy and weak border controls on bulk cash couriers contribute to BiH as an attractive venue for organized criminal elements and potential terrorist financiers. There is no indication that law enforcement has taken action to combat the trade-based money laundering likely to be occurring in BiH. Corruption is endemic, affecting all levels of the economy and society. The European Commission's November 2009 Progress Report on Bosnia identified widespread corruption as one of the key problems in the country and noted that BiH has made little progress in combating it.

Bosnia's political structure and ethnic politics hinder its anti-money laundering/counter-terrorist financing (AML/CFT) regime. Coordination of financial law enforcement among the multiple jurisdictional levels in Bosnia and Herzegovina -- the State, the two entities (the Federation of Bosnia and Herzegovina and the Republika Srpska), and Brcko District – is poor. Criminal codes and criminal procedure codes from the State, the two entities, and Brcko District were enacted and harmonized in 2003. The jurisdictions, however, maintain separate financial supervision and enforcement bodies. Although State-level institutions are becoming more firmly grounded and are gaining increased authority, overlapping responsibilities regarding investigation of money laundering and terrorist financing cause confusion and impede efforts to improve operational capabilities.

Offshore Center: No

Free Trade Zones: Yes

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

Criminalizes narcotics money laundering: Yes

The criminalization of money laundering is based on a very extensive all crimes approach as the scope of predicate offenses explicitly covers all criminal offenses, including narcotics related money laundering.

Criminalizes other money laundering, including terrorism-related: Yes

Money laundering is a criminal offense in all State and entity criminal and criminal procedure codes. At the State level, the Law on the Prevention of Money Laundering (LPML), as amended in June 2009, determines the measures and responsibilities for detecting, preventing, and investigating money laundering and terrorist financing. The lack of a clear demarcation among the scopes of the money laundering offenses in the different Criminal Codes may result in conflict or overlap of responsibilities.

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 LPML as well as Article 202 of the Criminal Code criminalize terrorist financing.

Know-your-customer rules: Yes

Bosnian law requires banks and other financial institutions to know, record, and report the identity of customers engaging in significant transactions. Specifically, the LPML requires obliged entities and persons to apply know-your-customer (KYC) rules when establishing a business relationship with a client; when conducting a transaction of 30,000 KM (approximately $22,000) or over; when there is a question of authenticity or adequacy of previously received information; or when there is a suspicion of money laundering or terrorist financing, regardless of the amount of the transaction.

Bank records retention: Yes

The LPML requires financial institutions to retain records for at least ten years after identification, completion of transaction, closing of an account or the termination of the validity of a contract.

Suspicious transaction reporting: Yes

The LPML identifies 21 institutions or legal entities required to report all transactions -- regardless of amount -- suspected of connections to money laundering or terrorist financing. The requirements apply to all banks, individuals, nonbank financial institutions, and designated nonfinancial businesses and professions, including post offices, investment and mutual pension companies, stock exchanges and stock exchange agencies, insurance companies, casinos, currency exchange offices, and intermediaries such as lawyers and accountants. From January 1 to December 7, 2009, the FIU received 249 suspicious transaction reports (STRs).

Large currency transaction reporting: Yes

The entities required to report STRs are also required to report all transactions of KM 30,000 (approximately $22,000) or more to the BiH financial intelligence unit (FIU).

Narcotics asset seizure and forfeiture:

BiH has no single asset forfeiture law. However, there are a number of criminal code provisions that provide it with all the legal tools and authority to locate, freeze and confiscate assets tied to money

laundering. These provisions include Article 209 of the BiH Criminal Code which specifically allows forfeiture of money and property. BiH authorities rarely use these forfeiture provisions and their interpretation is subject to great debate. The courts administer asset forfeiture, which can only take place as part of a verdict in a criminal case. Article 133 of the criminal code also allows the courts to seize property as punishment for criminal offenses for which a term of imprisonment of five years or more is prescribed. In such cases, asset seizure is possible without proving a specific relationship between the assets and the crime.

Entity banking agencies are cognizant of the requirements to sanction individuals and entities listed by the UNSCR 1267 Sanctions Committee's consolidated list.

Narcotics asset sharing authority: No

Cross-border currency transportation requirements: Yes

Bosnian law requires customs officials and the Indirect Tax Administration (ITA) to report to the FIU all cross-border transportation of cash and securities in excess of KM 10,000 (approximately $7,000). However, due to confusing and possibly conflicting laws at the state and entity levels, weak enforcement and corruption, large amounts of currency leave and enter the country undetected. In addition, the ITA has no authority to seize currency from the carrier upon discovery of a false declaration or suspicion of illegal activity. Although the government of BiH recognizes the threat of money laundering posed by bulk cash couriers, it has been unable to manage the problem.

Cooperation with foreign governments (including refusals):

BiH provides mutual legal assistance on the basis of bilateral and multilateral international treaties to which BiH is party, and the principle of reciprocity. BiH can provide assistance to foreign states regarding all investigative measures and procedures for which the domestic authorities have jurisdiction.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

The Court of BiH issued four verdicts in money laundering cases in 2009, only one of which is legally binding as the other three have been appealed.

In practice, most of the institutions subject to the STR requirements, other than commercial banks, have not received guidance and, consequently, do not understand their obligations or comply with the law.

Officially, the FIU has access to other government entities' records, and formal mechanisms for interagency information-sharing are in place. In practice, however, the FID has only limited access to the full range of databases required to perform proper analysis, and cooperation between the FIU and other government agencies – particularly the different police forces -- is weak, with little information shared among agencies. A key reason for the FIU's failure to share the results of its analysis with other law enforcement agencies is an ambiguous provision in the anti-money laundering law that does not clearly define its obligation to disseminate such information. All entity police agencies lack adequate resources and training and acknowledge that the level of cooperation and information exchange with the FIU is poor and needs improvement.

BiH lacks the institutional capacity and personnel for managing forfeited assets. Additionally, the courts do not have the administrative mechanisms in place to seize assets, maintain them in storage, or dispose of them. There has been no move to implement asset forfeiture as a regular tool in money laundering cases. The law does not provide for the seizure and forfeiture of the instrumentalities of illegal activity.

U.S.-related currency transactions:

There is not a significant level of US- related currency transactions related to Bosnia and Herzegovina.

Records exchange mechanism with U.S.:

Bosnia and Herzegovina has no Mutual Legal Assistance Treaty with the United States. BiH succeeded to the 1902 extradition treaty concluded between the Kingdom of Serbia and the United States. While this treaty covers some financial crimes, it does not address contemporary forms of money laundering. There is no formal bilateral agreement between the United States and BiH regarding the exchange of records in connection with narcotics investigations and proceedings, but authorities have made good faith efforts to exchange such information informally. Although no memorandum of understanding is in place, the Bosnian FIU regularly shares information with the Financial Crimes Enforcement Network, the U.S. FIU.

International agreements:

BiH adopted a new law on Mutual Legal Assistance in Criminal Matters in July 2009. Agreements on legal assistance in civil and criminal matters and on mutual enforcement of court verdicts in criminal matters were signed with Croatia, Serbia, Montenegro, the former Yugoslav Republic of Macedonia, Slovenia and Turkey. 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.

Bosnia and Herzegovina 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

Although BiH is a party to these international agreements, on many occasions the government of BiH has not passed implementing legislation for the conventions to which it is a party.

Bosnia and Herzegovina is a member of the FATF-style regional body MONEYVAL. Its most recent mutual evaluation can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/)

Recommendations:

The Government of Bosnia and Herzegovina (GOBiH) should continue to strengthen institutions with responsibilities for money laundering prevention, particularly those at the State level. Due to a lack of resources and bureaucratic politics, the FIU, like many State institutions, remains under-funded and under-resourced. The GOBiH should make efforts to increase funding for its AML/CFT programs and enhance cooperation between concerned departments and agencies. The GOBiH should amend its AML law to clarify the FIU's obligation to disseminate information outside the organization. Although prosecutors, financial investigators, and tax administrators have received training on tax evasion, money laundering, and other financial crimes, BiH should enhance their capacity to understand diverse methodologies, and aggressively pursue investigations. BiH authorities should undertake efforts to understand the illicit markets and their role in trade-based money laundering and alternative remittance systems. In addition, Bosnia should implement formal supervisory mechanisms for nonbank financial institutions and intermediaries, and NGOs. BiH law enforcement and customs authorities should take additional steps to control the integrity of the borders and limit smuggling. BiH should take specific steps to completely implement its anti-corruption strategy and to combat corruption at all levels of commerce and government. BiH also should adopt a comprehensive asset forfeiture law that provides a formal mechanism for the administration of seized assets. The government should enact implementing legislation for the international conventions to which it is a party.

Botswana

Botswana's relatively well-developed but small banking sector and its growing International Financial Service Center (IFSC) are vulnerable to money laundering. While the sale of illegal narcotics or the laundering of narcotics-related proceeds does not appear to be a major problem in Botswana, reports of narcotics trading, predominantly of marijuana, are on the rise. Reportedly, counterfeit goods are smuggled from South Africa and Namibia into Botswana. Other reports describe limited illegal trade of

cigarettes, mostly from Zimbabwe, as well as the smuggling of diamonds from Zimbabwe and from Angola (via Namibia).

Offshore Center:

The Bank of Botswana (BOB) licenses offshore banks; to date only two licenses have been issued. One bank closed in 2008. Background checks are performed on applicants for offshore banking and business licenses, as well as on their directors and senior management. The supervisory standards applied to domestic banks are also applicable to offshore banks. Anonymous directors and trustees are not allowed. As of March 2007, IFSC had 35 accredited companies focusing on funds management, banking services, international insurance and financial intermediary services. Currently, no offshore trusts operate in Botswana. Shell companies are prohibited and a physical presence is required.

Free Trade Zones:

No information available.

Criminalizes narcotics money laundering: Yes

See below.

Criminalizes other money laundering, including terrorism-related: Yes

Section 14 of the Proceeds of Serious Crime Act (PSCA) criminalizes money laundering related to all serious offenses, defined as any offense with a minimum penalty of at least two years imprisonment, or some sort of unlawful activity. In April 2009, the National Assembly enacted the Financial Intelligence Act (FIA), the basic anti-money laundering legislation for Botswana. Botswana authorities are in the process of proposing amendments to the PSCA (as amended in 2000) to harmonize it with the overlapping provisions of the FIA.

Criminalizes terrorist financing:

(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 specific offense in Botswana. Acts of terrorism and related offenses, such as aiding and abetting, can be prosecuted under the Penal Code and under the Arms and Ammunitions Act.

Know-your-customer rules: Yes

The PSCA requires identification of financial bodies and owners of corporations and accounts. The Banking (Anti-Money Laundering) Regulations (AML Regulations), which are minimum guidelines to banks on the application of international best practices on anti-money laundering, require banks to record and verify the identification of all personal and corporate customers. The AML Regulations do not apply to non-bank entities.

Bank records retention: Yes

Banks must maintain all records on transactions for either five years after the account has been closed, or until any ongoing investigation relating to those records is closed by law enforcement officials.

Suspicious transaction reporting: Yes

The PSCA and AML Regulations require banks to report any suspicious activities by their customers. The Ministry of Finance and Development Planning prepared a planning document for establishing the Financial Intelligence Agency (the financial intelligence unit (FIU) of Botswana to be established under the FIA). Until the FIU is fully functioning, the Directorate on Corruption and Economic Crime (DCEC) is responsible for receiving and processing suspicious transaction reports (STRs). The DCEC received 39 reports of suspicious activities, 21 of which are being investigated. From January to November 2008, the

DCEC conducted 40 money laundering investigations, one of which is currently before the court. The other investigations are ongoing.

Large currency transaction reporting: Yes

The BOB requires financial institutions to report any transaction in which BWP (Botswana Pula) 10,000 (approximately $1,499) or more is transferred in an "outward transfer." Under the PSCA and AML Regulations banks are required to report any transaction involving large amounts of money or suspicious activities by its customers. The term "large amounts" is not defined.

Narcotics asset seizure and forfeiture:

The PSCA grants the courts power to order the confiscation of property that has been laundered or which constitutes money laundering or the proceeds from a serious offense. During an investigation, the government may appeal to the High Court for a restraining order effectively freezing the financial assets of a suspect, but only for a non-renewable, seven-day period. Current legislation does not provide for civil forfeiture.

The Government of Botswana (GOB) does not have a legal framework to implement UNSCR 1267 and 1373. There is no legal basis to freeze assets based on UNSCR 1267 lists; nor is there a legal framework to freeze assets based on a domestic or foreign designation of terrorists or terrorist organizations in the framework of UNSCR 1373.

Narcotics asset sharing authority: No

There are no laws for the sharing of seized assets with other governments.

Cross-border currency transportation requirements:

Customs regulations require travelers carrying the equivalent of BWP 10,000 (approximately $1,499) or more to declare that currency upon entering Botswana.

Cooperation with foreign governments:

Botswana's lack of a legal framework to implement UNSCRs 1267 and 1373 may impede cooperation.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Non-financial businesses and professions are generally not included in the AML/CFT framework in Botswana, and little is currently done to monitor the activities and financial transactions of non-profit organizations.

There were no arrests, prosecutions, or convictions for money laundering during 2009.

The BOB circulates to financial institutions the names of suspected terrorists and terrorist organizations listed on the UN 1267 Sanctions Committee's consolidated list, the list of Specially Designated Global Terrorists designated by the United States pursuant to Executive Order 13224, and the European Union's list.

U.S.-related currency transactions:

Botswana's financial institutions do not engage in currency transactions involving international narcotics trafficking proceeds that include significant amounts of U.S. currency or currency derived from illegal drug sales in the United States or that otherwise significantly affect the United States.

Records exchange mechanism with U.S.:

Although there are no formally adopted laws or regulations that allow for the exchange of records with the United States on investigations and proceedings related to narcotics, money laundering, terrorism and

terrorist financing, the GOB has historically been very accommodating with the exchange of information on law enforcement and security concerns.

International agreements:

Botswana 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

Botswana is a member of the Eastern and South African Anti-Money Laundering Group, a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.esaamlg.org/reports/view_me.php?id=167

Recommendations:

The Government of Botswana has set up the key fundamental components of an AML regime. The GOB should continue its efforts to establish an anti-money laundering/counter-terrorist financing regime that comports with international standards. The GOB should criminalize terrorist financing. Botswana should become a party to the UN Convention against Corruption.

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.

Brunei

Brunei is not a regional financial center. There are no significant trends with respect to emergent crime, other than an increase in cyber crime, and in particular, financial fraud such as pyramid schemes and email scams.

Offshore Center: Yes

In 2001, Brunei established the Brunei International Financial Center (BIFC). The relevant implementing laws are: the International Business Companies Order 2003 (amended in 2005); the International Banking Order 2000; the Registered Agents and Trustees Licensing Order 2000; the International Trusts Order 2000; the International Limited Partnerships Order 2000; the Mutual Fund Order 2001; the Securities Order 2003; and, the International Insurance and Takaful Order 2002.

The BIFC offers general banking, Islamic banking, insurance, international business companies (IBCs), trusts (including asset protection trusts), mutual funds, and securities services. There are six offshore banks licensed in Brunei. Bearer shares are not permitted, but nominee shareholders are allowed for IBCs. Brunei residents are allowed to become shareholders of IBCs. As of November 30, 2009 there have been 10,066 IBCs registered in the BIFC database. Reportedly, many may be inactive. The 11 registered agents and licensed trustees are responsible for filing all IBC compliance documents and for the international trusts and asset protection trusts. The BIFC also launched a virtual Stock Exchange in 2002 that offers securities and mutual funds.

Free Trade Zones: None

Criminalizes narcotics money laundering: Yes

Narcotics-related money laundering is an offense under sections 20 and 22 of the Drug Trafficking (Recovery of Proceeds) Act (DTROP), enacted in 2002.

Criminalizes other money laundering, including terrorism-related: Yes

Sections 21, 22 and 23 of the Criminal Conduct (Recovery of Proceeds) Order 2000 (CCROP) criminalize money laundering related to all serious crimes. The Anti-Terrorism (Financial and other Measures) Order was introduced in 2002. The latter explicitly criminalizes the financing and support of terrorism.

Criminalizes terrorist financing: Yes

See above.

Know-your-customer rules: Yes

Under the Money Laundering Order (MLO), introduced in 2000, financial institutions are to have know-your-customer policies and procedures.

Bank records retention: Yes

Financial businesses are required to maintain the necessary records in relation to a customer's identity and all details of transactions carried out by such customers. Such records must be maintained for five years commencing from the date on which a customer account or business relationship was terminated, and in relation to one-off transactions, the date on which the transaction was completed.

Suspicious transaction reporting: Yes

Pursuant to the MLO, covered financial businesses such as financial institutions are required to maintain internal procedures relating to reporting of suspicious transactions. Suspicious transactions, including attempted suspicious transactions, are not differentiated by the amount, type or nature of transaction. Institutions in Brunei that are classified as designated non-financial businesses and professions (DNFBPs) include real estate agents, dealers in precious metals and stones, lawyers, accountants and trust/company service providers. Suspicious transactions are to be forwarded to the financial intelligence unit (FIU) located within the Ministry of Finance.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture:

Two pieces of legislation provide powers for the authorities to confiscate, freeze and seize proceeds of crime. The DTROP applies specifically to the proceeds of drug-related crime, and the CCROP applies to all other designated predicate offenses.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: No

There is no system for detecting or preventing cross border currency or negotiable instrument transfers.

Cooperation with foreign governments:

The Mutual Assistance in Criminal Matters Order came into force in 2006. Nevertheless, international cooperation to foreign counterparts is limited and given on an ad-hoc basis.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Primary responsibility for the investigation of money laundering and the financing of terrorism rests with the Royal Brunei Police Force (RBPF). There are no reported arrests, prosecutions or convictions for money laundering.

U.S.-related currency transactions:

There are no indications that currency transactions in Brunei involve international narcotics trafficking proceeds or 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.

Records exchange mechanism with U.S.: None

International agreements:

Brunei 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

Brunei 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/8/Brunei%20Darussalam%20Mutual%20Evaluation%20Executive%20Summary.pdf

Recommendations:

The Government of Brunei should adequately regulate its offshore sector to reduce its vulnerability to misuse by money launderers and financiers of terrorism. For all IBCs, Brunei should ensure identification of all beneficial owners. The GOB should provide for adequate supervision of all covered DNFBPs.

Bulgaria

While Bulgaria is not considered an important regional financial center, it is significant in terms of its geographical position, its well-developed financial sector relative to other Balkan countries, and its relatively lax regulatory control. Bulgaria is a major transit point for the trafficking of drugs and persons into Western Europe, generating criminal proceeds that are subsequently laundered in Bulgaria. According to Bulgarian law enforcement, the main sources of laundered funds in 2009 were from drug trafficking, smuggling, human trafficking, tax fraud, internet fraud, and banking fraud, from both domestic and foreign criminal activity. A significant flow of money from Russia, routed through Baltic countries, was observed; and the Bulgarian Financial Intelligence Directorate (FID) also observed funds originating from Arab countries to Bulgaria with possible links to terrorist financing. Public corruption is a pervasive problem in Bulgaria, but the new government has made significant efforts to attack this longstanding issue.

Smuggling remains a problem, reportedly sustained by corrupt Bulgarian businessmen and politicians smuggling goods to avoid paying value added taxes. The smuggling of illegal cigarettes and gasoline along with its derivatives is especially common. Contraband, including Chinese cargo, stolen cars, and clothes, likely generates funds laundered through the financial system. Organized crime groups are moving into legitimate business operations, making it difficult to determine the origins of their wealth. Tourism and construction have become favorite money laundering routes for organized crime groups with suspected ties to politicians from previous governments. Money laundering proceeds have also been invested in expensive cars, boats, and other luxury goods imported from the U.S. and Europe.

Offshore Center: No

Free Trade Zones: Yes

There are six free trade zones in Bulgaria, supervised by the Ministry of Finance. The free trade zones are located in Burgas, Vidin, Ruse, Svilengrad, Plovdiv and Dragoman. The goods produced in these zones are exported without duties. Many believe these zones are used to avoid paying customs fees, especially on gas derivatives.

Criminalizes narcotics money laundering:

Article 253 of the Bulgarian Penal Code criminalizes money laundering related to all crimes. As such, drug trafficking is but one of many recognized predicate offenses.

Criminalizes other money laundering, including terrorism-related:

Amendments made to the Penal Code in 2006 increased penalties, clarified that predicate crimes committed outside Bulgaria can support a money laundering charge brought in Bulgaria, and allowed for prosecution on money laundering charges without first obtaining a conviction for the predicate crime. The Law on Administrative Violations and Penalties, as amended, establishes the liability of legal persons for crimes committed by their employees.

Criminalizes terrorist financing:

(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 108a of the Penal Code criminalizes terrorism and terrorist financing. Article 253 of the Penal Code qualifies terrorist acts and terrorist financing as predicate crimes under the "all crimes" approach to money laundering.

Know-your-customer rules:

The Law on Measures against Money Laundering (LMML) is the legislative backbone of Bulgaria's anti-money laundering (AML) regime. Adopted in 1998, the LMML has since been amended several times, most recently in November 2009. Banks and the 29 other reporting entities are required to apply know-your-customer standards. All entities are required to ask for the source of funds in any transaction greater than BGN 30,000 (approximately $22,500) or foreign exchange transactions greater than BGN 10,000 (approximately $7,500). Bearer shares can be issued by joint stock companies

Bank records retention:

The LMML obligates financial institutions to a five-year record keeping requirement.

Suspicious transaction reporting:

Under the LMML, 30 categories of entities, including lawyers, real estate agents, auctioneers, tax consultants, and security exchange operators are required to file suspicious transaction reports (STRs). In February 2003, the Bulgarian government enacted the Law on Measures against Terrorist Financing which compels all covered entities to report any suspicion of terrorist financing. The FID is Bulgaria's

financial intelligence unit (FIU), responsible for receiving and processing STRs. As of October 2009, the FID received 646 STRs valued at euros 323,559,692 (approximately $485,339,538). Of these, 429 were forwarded to law enforcement for further investigation.

Large currency transaction reporting:

Reporting entities are required to notify the FID of any cash payment, currency exchange or deposit greater than BGN 30,000 (approximately $22,500).

Narcotics asset seizure and forfeiture:

The Law on Forfeiture of Proceeds of Criminal Activity, enacted in 2005, allows the government to identify, trace, freeze and seize any assets derived from serious crimes, including drugs-related crimes, terrorism, money laundering, etc. Instruments of crime are subject to criminal forfeiture under the Penal Code. The law instructs the prosecution service, courts, and police to notify the Asset Forfeiture Commission (AFC) when a subject is formally charged with a crime at the end of the investigation, which leaves a (sometimes very long) period for a person under investigation to conceal property. The Law on Forfeiture of Proceeds from Criminal Activity also allows for civil forfeiture of criminal proceeds. The procedure for freezing terrorist assets is the same system for freezing criminal assets. As of November 24, 2009, the AFC froze assets valued at BGN 242,157,539 (approximately $185,324,174). The AFC also launched forfeiture proceedings in 77 cases with assets valued at $51,100,119.

Narcotics asset sharing authority:

As a member of the European Union (EU), Bulgaria adheres to the December 2007 Council of Europe decision 2007/845/JHA, which outlines cooperation among member states' asset recovery offices on tracing and identification of criminal proceeds.

Cross-border currency transportation requirements:

Individuals importing or exporting BGN 5,000 (approximately $3,846) or the equivalent in either foreign currency or traveler's checks must make a customs declaration. For the export of cash over BGN 25,000 (USD 19,240) individuals must declare to Customs the amount and origin of the cash, and present a certificate from the Bulgarian regional internal revenue service proving they do not owe taxes, unless the sum is less than the amount originally declared when brought into the country.

Cooperation with foreign governments (including refusals):

In the past, Bulgaria has cooperated, when requested, with USG law enforcement agencies and other governments investigating financial crimes related to narcotics, terrorism, terrorist financing, and other crimes. Bulgarian legislation empowers the FID to exchange financial intelligence on money laundering and terrorist financing cases not only on the basis of international agreements but also on the principle of reciprocity. However, in practice, it is unclear to what extent FID can still carry out this practice given its loss of autonomy.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

A common criminal practice is to re-import stolen clothes valued far below their real price. The clothes are then sold in "outlet" stores for a considerable profit. Corrupt customs officials also devalue merchandise at ports of entry at the bidding of organized crime groups.

Because of the absence of clear withdrawal reporting requirements, a loophole exists, leaving an unknown percentage of large cash withdrawals unreported. As of January 2009, Bulgarian banks are required to include the actual amount of all cash deposits above the cash transaction reporting threshold. As of yearend 2009, the government is currently considering issuing new guidance to ensure cash withdrawals are unambiguously included in the reporting requirements.

In December 2007, the Parliament passed legislation that came into force on January 1, 2008, which limited the FID's effectiveness and autonomy. This law restructured the FID by changing its status from an independent agency within the Ministry of Finance to a directorate within the State Agency of National Security. Consequently, the FID is no longer an individual legal entity with its own budget.

Historically lower rates of reporting compliance by exchange bureaus, casinos, and other non-bank financial institutions can be attributed to numerous factors, including a lack of understanding of, or respect for the legal requirements; lack of inspection resources; and the general absence of effective regulatory control over the non-bank financial sector.

The FID and the Bulgarian National Bank circulate the names of suspected terrorists and terrorist organizations found on the UNSCR 1267 Sanctions Committee's Consolidated List, the list of Specially Designated Global Terrorists designated by the U.S. pursuant to Executive Order 13224, and those designated by the relevant EU authorities. Bulgaria did not identify, freeze, seize, or forfeit any terror-related assets in 2009.

From January 1 to December 1, 2009 there were 20 prosecutions, 15 convictions, and one acquittal for money laundering. In addition, as of December 1, there are 75 money laundering cases being investigated that the FID believes will lead to indictments. In August 2009, controversial businessmen Mario Nikolov and Ludmil Stoykov, along with five accomplices, were indicted for laundering approximately $9.8 million of EU agricultural subsidies. According to prosecutors, the money was laundered through a US-registered offshore company and then reinvested in a Bulgarian sea resort. The case is ongoing. There were no prosecutions or convictions for terrorist financing.

U.S.-related currency transactions:

There is no evidence of Bulgarian financial institutions engage in currency transactions involving international narcotics trafficking proceeds that include significant amounts of U.S. currency or currency derived from illegal drug sales in the United States.

Records exchange mechanism with U.S.:

In September 2007, the U.S. and Bulgaria signed a mutual legal assistance treaty (MLAT), implementing the U.S. - EU Mutual Legal Assistance Agreement, which has yet to come into force.

International agreements:

The FID has signed 32 memoranda of understanding with FIUs from Europe, the Americas and Australia.

Bulgaria 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

Bulgaria is a member of the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Bulgaria_en.asp

Recommendations:

The Government of Bulgaria has taken several steps to improve its anti-money laundering/counter-terrorist financing regime. The GOB should enact legislation to strengthen its asset forfeiture program by explicitly reversing the burden of proof, allowing for the seizure of assets transferred to family members and other associates, and shortening the notification time so that a subject cannot secrete or dispose of assets prior to seizure. Bulgaria also should issue new guidance to ensure cash withdrawals are

unambiguously included in the reporting requirements. The GOB should systematically track cross-border electronic currency transactions to prevent Bulgaria from being an entry point to funnel illicit money into the European financial system. The FID should be given full autonomy and an independent budget, and investigative and prosecutorial entities should receive continued training to allow those entities to effectively fulfill their responsibilities. The GOB should undertake an awareness campaign and provide for effective supervision of non-financial businesses and professions to ensure those entities comply with identification, reporting and record keeping obligations. Finally, the GOB should continue its efforts to curb corruption.

Burkina Faso

Burkina Faso is not a regional financial center. Burkina Faso's economy is primarily cash-based; and most economic activity takes place in the informal sector. Only an estimated six percent of the population has bank accounts. Burkina Faso lacks the resources necessary to protect its borders adequately and to monitor the movement of goods and people. Because the country's borders tend to be largely unregulated, illegal narcotics operations and black market currency exchanges could easily flow in an unregulated manner in and out of the country and from one country to another within the region. Regional corruption, a lack of resources, and overburdened and weak judicial and law enforcement systems are also major challenges.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Article 5 of the 1999 Law 17/99 on the Drug Code in Burkina Faso addresses and defines money laundering.

Criminalizes other money laundering, including terrorism-related: Yes

In March 2003, the West African Economic and Monetary Union (WAEMU) adopted a uniform law to combat money laundering from a variety of sources. All member states are bound to enact and implement the common laws passed by the members of the WAEMU. In late 2006, Burkina Faso adopted law 026-2006/AN, an anti-money laundering and financial crimes law. This anti-money laundering/counter-terrorist financing (AML/CFT) legislation states "it is illegal to transform, conceal, or acquire any goods or funds that result from participation in a criminal action." The law specifically includes the following entities: the Treasury, the Central Bank of West African States (BCEAO), all financial organizations, the national lottery, members of the judicial profession who counsel clients on the purchase or sale of goods, commercial enterprises, real estate agents, merchants selling high value items, fund transporters, casino owners, travel agents and non-governmental organizations (NGOs).

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/)

Burkina Faso does not have specific terrorist financing legislation.

Know-your-customer rules: Yes

Financial institutions are obligated to confirm the identity and address of their clients before they enter into any type of financial transaction or open an account. Clients must present their original national identity card and provide current home and work addresses.

Bank records retention: Yes

Financial organizations must keep records of accounts for ten years following closure of an account or finalization of a transaction.

Suspicious transaction reporting: Yes

In March 2003, the WAEMU adopted a uniform law to combat money laundering which includes provisions that mandate financial institutions to report suspicious transactions to the Cellule Nationale de Traitement des Informations Financieres (CENTIF), the financial intelligence unit established in June 2007.

Large currency transaction reporting:

The BCEAO, the central bank for countries in the WAEMU, requires all bank deposits over the equivalent of $13,500 in member countries to be reported.

Narcotics asset seizure and forfeiture: Yes

Burkina Faso allows criminal and civil forfeiture.

Narcotics asset sharing authority: No

Cross-border currency transportation requirements:

There are cross-border currency transportation reporting requirements for amounts over CFAF 5 million (approximately $10,300) or equivalent. The declarations are primarily for currency exchange control purposes.

Cooperation with foreign governments:

The GOBF is a member of the Economic Community of West African States (ECOWAS).

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Burkina Faso has a very low capacity to conduct financial investigations due a significant lack of equipment and training. There were no arrests, prosecutions, or convictions for money laundering or terrorist financing in 2009.

The Ministry of Security is designated as the coordinator of AML/CFT activities. An AML/CFT Committee has been established, but remains ineffective.

June 2003, WAEMU issued a directive which provides a legal basis for governments to implement the asset freeze provisions of UNSCR 1373. It also directs member governments to circulate the names of suspected terrorists and terrorist organizations on the UNSCR 1267 Sanctions Committee's Consolidated List to all financial institutions.

U.S.-related currency transactions:

There are no indications that currency transactions in Burkina Faso involve international narcotics trafficking proceeds or 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.

Records exchange mechanism with U.S.:

Burkina Faso law enforcement will cooperate on a case-by-case basis.

International agreements:

Burkina Faso 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

Burkina Faso is a member of the Intergovernmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force-style regional body. Burkina Faso's mutual evaluation was completed in 2009. Once published, the report can be found here: http://www.giaba.org/index.php?type=c&id=24&mod=2&men=2

Recommendations:

The Government of Burkina Faso should continue to implement AML/CFT countermeasures that adhere to international standards. The GOBF should criminalize terrorist financing as an autonomous crime.

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.

Burundi

Burundi is not a regional financial center. There are seven commercial banks operating in Burundi. The shareholders in these commercial banks frequently change; besides Burundian nationals (public and private), major foreign shareholders are West Africans (especially Nigerians), Rwandans, and Belgians. There is no significant black market for goods smuggled into the country. To date, there have been no reported cases of money laundering. However, reports exist indicating corrupt Burundian politicians are adept at devising methods of money laundering abroad, and they historically enjoy near-absolute impunity on their thefts of public funds.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

The Burundian penal code specifically makes money laundering illegal in Chapter 8, Article 441.

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 penal code criminalizes terrorist financing in Chapter 4, Article 616.

Know-your-customer rules:

No information available.

Bank records retention: Yes

Burundian banks must retain records of financial transactions for a minimum of 15 years, and must surrender banking information if properly requested by judicial authorities.

Suspicious transaction reporting: No

A financial intelligence unit (FIU) in the Ministry of Finance has been created. No Suspicious Activity Reports were filed during 2009.

Large currency transaction reporting: No

A law requiring banks to report large deposits or transactions is under consideration.

Narcotics asset seizure and forfeiture: Yes

The Judicial Police or, alternatively, the Office of the National Prosecutor is responsible for tracing, seizing and freezing assets.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: No

Cooperation with foreign governments:

Burundi regularly cooperates in international criminal inquiries via Interpol.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Anti-money laundering/counter-terrorist financing (AML/CFT) legislation has been enacted, but the Government of Burundi (GOB) has made no related arrests or seizures of assets or conducted any investigations. Although the laws exist, the GOB has made no apparent effort to execute them, and shown little ability to do so.

No oversight or reporting obligations are applied to other, non-banking institutions, including exchange houses, cash couriers, and casinos, among others.

The Judicial Police are responsible for circulating lists of individuals and entities linked to Usama Bin Ladin, al-Qaida and the Taliban to banks and financial institutions, as stipulated in UNSCR 1267. The government has identified no terrorism-related assets as defined in UNSCR 1267.

U.S.-related currency transactions:

There are no indications that currency transactions in Burundi involve international narcotics trafficking proceeds or 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.

Records exchange mechanism with U.S.:

The GOB has adopted no laws to allow for the exchange of records with the United States on money laundering investigations. However, it has expressed its willingness to cooperate with the U.S. on narcotics-trafficking, terrorism, and terrorist financing.

International agreements:

Burundi 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

Recommendations:

Although anti-money laundering laws exist, there appears to be little will by the Government of Burundi to prosecute or commit resources to investigate alleged crimes, particularly those that could implicate high-level government officials. Furthermore, Burundian law enforcement officials lack training and the experience necessary to effectively investigate financial crimes. The GOB should develop the capacity of law enforcement, prosecutors and supervisory personnel and fully fund, implement and train the new financial intelligence unit as well as the Financial Crimes Investigation Unit. The GOB should ratify the UN International Convention for the Suppression of the Financing of Terrorism and become a party to the UN Convention against Transnational Organized Crime.

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.

Cameroon

A major regional financial center within the context of Central Africa, Cameroon is increasingly involved in international financial transactions. Most financial crimes occurring in Cameroon are derived more from domestic corruption and embezzlement rather than external malfeasance. However, instability in neighboring countries has resulted in Cameroon being used as a conduit to move funds from those countries to Europe. Cameroon is not a major narcotics destination. Trade-based money laundering (TBML) is rampant, utilizing the banking system or microfinance institutions. Cameroon is particularly vulnerable to cross-border bulk currency transactions and to companies transferring money internationally. There are currently no laws to regulate such transfers. Cameroon's economy is heavily cash dependent, relying very little on electronic transfers and checks. Laundering money through investment in real estate is a growing problem.

As a member of the Economic and Monetary Community of Central African States (CEMAC), Cameroon shares a regional Central Bank (BEAC) with other member countries which have ceded banking regulatory sovereignty to this Central Bank.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related:

Anti-money laundering (AML) legislation exists in Cameroon, although its implementation is not yet complete. The CEMAC has promulgated two AML regulations which are considered law in Cameroon: Regulation No. 01/03-CEMAC/UMAC, on the Prevention and Combating of Money Laundering and Terrorism Financing in Central Africa, and Regulation No. 02/00/CEMAC/UMAC to Harmonize Exchange Control Regulations in CEMAC member states.

Following the adoption of UNSCRs1267 and 1373, CEMAC member countries formed the Central African Action Group against Money Laundering (GABAC). GABAC's priority was to draft a common AML law applicable to all CEMAC countries. As a supranational law, it is enforceable in all member states without ratification by a member state parliament. Regional directive No. 01/03-CEMAC-UMAC, criminalizes money laundering and characterizes it as a serious crime.

Criminalizes terrorist financing: No

Know-your-customer rules: Yes

According to Banking Commission of Central African States (COBAC) guidelines, banks and other financial institutions are required to know, record, and report the identity of their customers engaging in "significant" transactions, including the recording of large currency transactions. COBAC has not articulated a definition of significant or large currency transactions.

Bank records retention: Yes

COBAC and CEMAC directives impose recordkeeping requirements on obligated institutions; records of significant transactions and the identities of customers conducting them must be retained for five years after the last transaction has been completed.

Suspicious transaction reporting: Yes

Obligated institutions must submit suspicious transaction reports (STRs) to the financial intelligence unit (FIU) - the National Agencies for Financial Investigation (ANIF). From its creation in 2005 until the end of December 2009, ANIF has received 450 STRs and passed 104 cases to judicial authorities for prosecution. The Ministry of Justice does not have statistics on prosecutions and outcomes.

Large currency transaction reporting:

Transactions in excess of the equivalent of $200,000 relating to foreign trade require an exchange transfer authorization from the Ministry of Finance.

Narcotics asset seizure and forfeiture:

Despite the possibility to have asset seizures and other resource confiscations, none has taken place so far.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: No

Cooperation with foreign governments:

ANIF cooperates informally with many other FIUs. ANIF was admitted to the Egmont group as a candidate member in 2009 and hopes to become a full member in 2010.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Because of the non-convertible CFA franc, a large black market for foreign currencies, and the high costs involved in electronic transfers from Africa, holding and traveling with large amounts of cash is quite common in Cameroon, both for legitimate purposes as well as to smuggle or hide illicit funds. Thus, tracking international money transfers is difficult.

Limited resources hamper the government's ability to enforce the AML regulations, and local institutions and personnel lack the training and capacity to fully enforce the law and its attendant regulations. There is also reportedly some resistance in the judiciary and among prosecutors to applying the CEMAC regulation in the absence of Cameroonian legislation.

The list of individuals and entities included on the UN 1267 Sanctions Committee's consolidated list is made available to financial institutions by ANIF.

U.S.-related currency transactions:

There are no indications that currency transactions in Cameroon involve international narcotics trafficking proceeds or 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.

Records exchange mechanism with U.S.:

No information provided.

International agreements:

ANIF has draft cooperation agreements pending with 11 countries.

Cameroon 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

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

Recommendations:

The Government of Cameroon (GRC) should work with the Central Bank, COBAC, and the ANIF to fully develop and implement applicable regulations to establish a complete anti-money laundering/counter-terrorist financing regime that adheres to international standards. These same agencies should also provide training and outreach to covered entities regarding their legal requirements and obligations. ANIF should work to improve coordination with law enforcement and judicial authorities, with the objective of enhancing investigations and obtaining convictions. The GRC should work to mitigate its vulnerabilities, including enacting cross-border currency reporting requirements and training its agents at points of entry in the identification and interdiction of cash smuggling. As a member of GABAC, Cameroon should work with other member countries and with the Secretariat to make this regional body a viable FSRB. Cameroon should criminalize terrorist financing and fulfill its obligations under the UN International Convention for the Suppression of the Financing of Terrorism.

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.

Cape Verde

Cape Verde is not considered an important regional financial center. Due to its strategic location, money laundering in Cape Verde is primarily related to the proceeds from illegal narcotics trafficking, especially cocaine, routed from Latin America via Cape Verde and West Africa to markets in Europe.

Offshore Center: Yes

Cape Verde licenses offshore banks and businesses. Physical presence is required. There are ten offshore banks and two insurance companies. Anonymous nominee directors and/or trustees are not allowed. The offshore financial sector is regulated by the onshore regulator. Regulations governing offshore banks and businesses do not differ in any key respect from regulations governing domestic banks and businesses.

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

Money laundering is a criminal offense in Cape Verde. The law, enacted in 2002, was amended in April 2009. The law applies with equal force regardless of whether the underlying criminal activity was committed in Cape Verde or abroad.

Criminalizes terrorist financing: Yes

The Government of Cape Verde (GOCV) criminalizes terrorist financing through article 25 of Law number 39/VII/2009 of April 2009.

Know-your-customer rules:

Domestic and offshore banks and other financial institutions are required to determine, record, and report the identity of customers engaging in significant financial transactions.

Bank records retention: Yes

Banks and other financial institutions are required to maintain records necessary to reconstruct significant transactions through financial institutions for a five-year period following the relevant transaction.

Suspicious transaction reporting: Yes

Anti-money laundering/counter-terrorist financing (AML/CFT) controls are applied to offshore banks, non-bank financial institutions (NBFIs) and to designated non-financial businesses and professions (DNFBPs). They are required to report suspicious and/or large financial transactions to Cape Verde's financial intelligence unit (FIU), the administrative body with the function of collecting, centralizing, treating and analyzing information related to money laundering. Nonetheless, to date only banks and exchange houses have reported suspicious transactions. In 2009, 21 suspicious transaction reports were filed with the FIU. Three referrals resulted in investigation.

Large currency transaction reporting:

Significant transactions (undefined) are to be reported to the FIU.

Narcotics asset seizure and forfeiture:

The money laundering law, as amended in 2009, establishes systems for the identification, freezing, and seizure of narcotics-related assets. The 2009 amendments broaden the scope of assets subject to seizure

to include all assets that authorities reasonably believe have derived from money laundering activities. Authorities may only seize such assets, however, if they can prove a relationship between the assets and a specific crime. Legitimate businesses can also be seized if they are being used to launder drug money, support terrorist activity, or are otherwise related to criminal activity. The law allows for civil as well as criminal forfeiture.

Narcotics asset sharing authority: No

Cross-border currency transportation requirements:

Under law number 39/VII/2009 of April 2009, cross-border currency reporting requirements for both inbound and outbound currency are limited to amounts exceeding one million CVE (approximately $13,900). There are no mandatory declaration forms used at border crossings. Cash declaration reports are entered into a database and information is shared between customs and the FIU.

Cooperation with foreign governments:

The GOCV has adopted laws and regulations that allow for the exchange of records with other countries on investigations and proceedings related to narcotics, all-source money laundering, and terrorist financing.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

The FIU is operational, but still not adequately staffed. Although the law provides for its budgetary and operational independence, in practice it is dependent on the Central Bank and housed within the Central Bank's headquarters.

In October 2009, five persons were convicted and sentenced for drug trafficking, organized crime, and money laundering activities. Cape Verdean authorities seized 407.8 million CVE (approximately $5.6 million) worth of assets in connection with these convictions.

Cape Verde has circulated to its financial institutions the list of individuals and entities included on the UN 1267 sanctions committee's consolidated list. The GOCV also circulated the lists of terrorist organizations/financiers designated by the USG and the European Union (EU) under relevant authorities. No terrorist-financed activities have been identified in Cape Verde.

U.S.-related currency transactions: No

Records exchange mechanism with U.S.:

The GOCV cooperates with requests from appropriate U.S. law enforcement agencies investigating financial crimes, including those related to narcotics. There is no mutual legal assistance treaty between Cape Verde and the United States.

International agreements: The GOCV has entered into bilateral judicial agreements to cover all areas of cooperation in criminal matters with Spain, Portugal, Senegal, and Guinea Bissau.

Cape Verde 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 GOCV is a member of the Intergovernmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here:

http://www.giaba.org/media/M_evalu/Cape%20Verde%20AMLCFT%20Detailed%20MER%20Final%2005%2021%202007.pdf

Recommendations:

The Government of Cape Verde should continue to implement AML/CFT countermeasures that adhere to international standards. The GOCV should ensure the FIU has the necessary autonomy and resources to function effectively.

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.

Comoros

The Union of the Comoros (Comoros) consists of three islands: Ngazidja (Grande Comore), Anjouan and Moheli. Although Comoros lacks homegrown narcotics, the islands are used to transit drugs, mainly from Madagascar. The presidency of the Union rotates among the three islands. An ongoing struggle for influence between the Union and the island presidents continued into 2009. Comoros is not a financial center for the region.

Offshore Center: Yes

Both Moheli, pursuant to the International Bank Act of 2001, and Anjouan, pursuant to the Regulation of Banks and Comparable Establishments of 1999, licensed more than 300 offshore banks. Neither island required applicants for banking licenses to appear in person to obtain their licenses. Anjouan required only two documents (a copy of the applicant's passport, and a certificate from a local police department certifying the lack of a criminal record) to obtain an offshore license and accepted faxed copies of the required documents. In addition to licensing shell banks, Anjouan sold the right to issue bank licenses. All of the shell banks and other entities are located offshore and have no permanent presence in the Comoros. Neither jurisdiction had the expertise or resources to effectively regulate an offshore banking center. Anjouan delegated most of its authority to operate and regulate the offshore business to private, non-Comoran domiciled parties. Offshore banks operating in the autonomous islands of the Union of the Comoros without prior authorization from the Union Finance Minister operate illegally. Because the involved computer servers and illicit "entities" are located outside the Comoros, the Union government lacks the jurisdiction and capacity to act beyond the announcements and warnings regarding the illegal entities. During 2008, Comoros closed many of the illegitimate financial institutions.

In addition to offshore banks, both Moheli, pursuant to the International Companies Act of 2001, and Anjouan, pursuant to Ordinance Number 1 of March 1999, licensed insurance companies, internet casinos, and international business companies (IBCs). Moheli claims to have licensed over 1200 IBCs. Moheli law permits bearer shares of IBCs. Anjouan also allows trusts, and will register aircraft and ships without requiring an inspection of the aircraft or ship in Anjouan.

Free Trade Zones: No

Criminalizes narcotics money laundering:

An anti-money laundering (AML) law addressing many of the primary AML issues of concern was passed by Presidential Decree in 2004. However, the 2004 law does not meet international standards. Also, while legally applicable to all three islands, the AML law was not enforced on Anjouan prior to March 2008. In addition, Comoran authorities lack the capacity to effectively implement and enforce the 2004 AML law, as the three islands in the Comoros retain a great deal of autonomy, particularly with respect to their security services, economies, and banking sectors. As of December 2008, the Union had a draft of a new AML law before the Parliament. Until that law is promulgated, Comoros will use its 2004 federal-level AML law.

Criminalizes other money laundering, including terrorism-related: Yes

See above

Criminalizes terrorist financing:

(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/)

No information available.

Know-your-customer rules:

No information available.

Bank records retention: Yes

The 2004 law requires financial and related records to be maintained for five years.

Suspicious transaction reporting: Yes

The 2004 law requires non-bank financial institutions to meet the same reporting requirements as banks, and requires banks, casinos and money exchangers to report unusual and suspicious transactions (by amount or origin) to the Central Bank. Comoros does not have an operational financial intelligence unit (FIU).

Large currency transaction reporting: No

The 2004 law prohibits cash transactions over Comoran francs 5 million (approximately $16,500).

Narcotics asset seizure and forfeiture: Yes

The 2004 law permits assets generated by or related to money laundering activities to be frozen, seized and forfeited.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements:

The 2004 law requires residents to declare all currency or financial instruments upon arrival and departure, and non-residents to declare all financial instruments upon arrival and all financial instruments above Comoran francs 500,000 (approximately $1,650) on departure.

Cooperation with foreign governments:

The 2004 law permits provision and receipt of mutual legal assistance where a reciprocity agreement is in existence and confidentiality of financial records is respected.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Moheli and Anjouan no longer issue banking licenses to offshore entities. Current legal licensing authority rests with Union authorities, and the Anjouan and Moheli counterparts are under Union control. However, the already established offshore entities remain outside Union control. The entity to which the Anjouan authorities sold licensing authority may still be issuing licenses in the name of Anjouan. The Comoran government has solicited the law enforcement authorities in the United Kingdom and France to locate and arrest the perpetrators, who were reportedly in Europe.

Foreign remittances from Comorans living abroad in France, Mayotte (claimed by France), and elsewhere remain the most important influx of funds for most Comorans. A 2008 African Development Bank report estimated total annual remittances at $100 million, with two-thirds arriving via informal means.

A grossly inadequate budget, dysfunctional ministries, and a nonfunctioning judiciary limit AML effectiveness. The lack of capacity severely hinders progress on AML issues, despite apparent high-level political support.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

No information available.

International agreements:

Comoros 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

Comoros has observer status in the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force (FATF)-style regional body. The country is moving toward full membership in ESAAMLG, which will commit Comoros to adherence to the FATF's international standards.

Recommendations:

The Government of the Union of the Comoros (GOUC) should ensure the draft anti-money laundering legislation meets international standards, and pass the legislation, which will apply to the three islands that comprise the federal entity. Authorities should ensure their activities relating to the implementation of the law, when promulgated, take place in all three islands. Authorities should establish an FIU with jurisdiction over the entire country and prohibit bearer shares. Authorities should circulate the list of individuals and entities included on the United Nations 1267 Sanctions Committee's consolidated list to Comoran banks. Comoran authorities should ensure that resources are targeted at FIU development and regulatory and law enforcement capacity.

Congo, Republic of

The Republic of Congo (also called Congo-Brazzaville) is not a regional financial center. Neither drug trafficking nor money laundering are significant problems. The Bank of Central African States (BEAC), the regional Central Bank of the Economic and Monetary Community of Central African States (CEMAC), to which Congo-Brazzaville belongs, supervises Congo-Brazzaville's banks, which are still recovering from the looting and neglect they experienced during Congo's civil unrest in the 1990s.

Offshore Center:

No information available.

Free Trade Zones:

No information available.

Criminalizes narcotics money laundering:

See below.

Criminalizes other money laundering, including terrorism-related: Yes

Congo-Brazzaville strengthened its laws against money laundering in 2007. As a member of the CEMAC, it adopted CEMAC's April 2007 regional anti-money laundering/counter-terrorist financing (AML/CFT) regulations. These rules establish penalties of both fines and imprisonment for money laundering and terrorist financing and also regulate the operation of banks, money changers and casinos.

Criminalizes terrorist financing:

See above.

Know-your-customer rules:

No information available.

Bank records retention:

No information available.

Suspicious transaction reporting:

No information available.

Large currency transaction reporting:

No information available.

Narcotics asset seizure and forfeiture:

No information available.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements:

Travelers may not enter or leave the country with more than 1,000,000 FCFA (approximately $1,980).

Cooperation with foreign governments:

Congo-Brazzaville is a party to the multilateral Antananarivo Convention on Matters of Justice of 1961.

U.S. or international sanctions or penalties:

No information available.

Enforcement and implementation issues and comments:

It is unknown whether Congo-Brazzaville circulates to its financial institutions the list of individuals and entities included on the UNSCR 1267 Sanctions Committee's consolidated list.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

No information available.

International agreements:

Congo-Brazzaville has bilateral extradition treaties with France, the Democratic Republic of Congo and Cuba.

Congo-Brazzaville 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

Congo-Brazzaville is not a member of a Financial Action Task Force-style regional body.

Recommendations:

Congo-Brazzaville should continue to work with the CEMAC to strengthen its AML/CFT efforts. Congo-Brazzaville should become a party to the UN International Convention against Corruption and to the UN Convention against Transnational Organized Crime.

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.

Côte d'Ivoire

The Republic of Cote d'Ivoire is an important West African regional financial hub. Laundered proceeds are reportedly derived from regional criminal activity, such as the smuggling of consumer goods and agricultural products. Reportedly, most of the smuggling networks are organized by nationals from Nigeria and the Democratic Republic of the Congo. The outbreak of the rebellion in 2002 increased the amount of smuggling of goods across the northern borders, including cocoa, cashews, timber, textiles, tobacco products, and light motorcycles. Reportedly, there has also been an increase in the mining and smuggling of diamonds from areas in the north.

Due to the abnormal political situation in Cote d'Ivoire, rule of law implementation remains poor. As a result, Ivorian and other West African nationals are becoming increasingly involved in criminal activities and the subsequent laundering of illicit funds. National authorities have been redeploying, but the Forces Nouvelles retains de-facto control over the northern borders and of revenue generated in its zone. Smuggling of agricultural products, cars, and pirated DVDs occurs in the government-controlled south and is motivated by a desire to avoid taxes (principally value-added taxes). Smuggling over Cote d'Ivoire's porous borders generates illicit funds that are primarily laundered via informal money services businesses and exchange houses. In addition, authorities believe criminal enterprises use the formal banking system and the used car and real-estate industries to launder funds. Public corruption also poses concerns.

The extent to which Ivorian territory is involved in the growing use of West Africa as a transshipment point for drugs from South America to Europe is largely unknown but is of concern to law enforcement officials. Ivorian law enforcement authorities have little control over the northern half of the country. The ongoing de facto division of the country makes it difficult to assess Ivorian involvement in narcotics trafficking, as well as its possible role as a center for the laundering of narcotics proceeds.

Offshore Center: No

Free Trade Zones: No

There are no free trade zones in Cote d'Ivoire. However, in June 2008, after securing funding, the Government of Cote d'Ivoire (GOCI) began negotiations to purchase a site to build a free trade zone for information technology and biotechnology in Grand Bassam.

Criminalizes narcotics money laundering: Yes

The penal code criminalizes money laundering related to drug trafficking, fraud, and arms trafficking.

Criminalizes other money laundering, including terrorism-related: Yes

In November 2005, the National Assembly adopted the West African Economic and Monetary Union (WAEMU) common anti-money laundering (AML) law. With this law, Cote d'Ivoire adopted the all-crimes approach to money laundering, making it a criminal offense regardless of the predicate 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/)

Ordinance 367 of December 2009 defines the legal framework for counter-terrorist financing in Côte d'Ivoire by implementing the United Nations Conventions on the suppression of terrorist financing. The

ordinance also strengthens the whole national system for the fight against transnational financial crime, and particularly money laundering.

Know-your-customer rules: Yes

The AML law mandates standard know-your-customer requirements for banks and other financial institutions. The law also imposes certain customer identification and record maintenance requirements on casinos and exchange houses. Bearer shares are authorized for banks and companies.

Bank records retention: Yes

All Ivorian financial institutions must maintain customer identification and transaction records for ten years. Law enforcement authorities can request access to these records to investigate financial crimes through a public prosecutor.

Suspicious transaction reporting: Yes

In addition to the AML law, new money laundering controls apply to non-bank financial institutions such as exchange houses, stock brokerage firms, insurance companies, casinos, cash couriers, national lotteries, non-governmental organizations, travel agencies, art dealers, gem dealers, accountants, attorneys, and real estate agents. All Ivorian financial institutions, non-financial businesses, and professions subject to the scope of the money laundering law are required to report suspicious transactions. The Ivorian banking code protects reporting individuals. Ordinance 367 of December 2009 extends the suspicious activity report (SAR) filing requirement to suspected terrorist financing.

The AML law provides for the establishment of a financial intelligence unit (FIU) known as "Cellule Nationale de Traitement des Informations Financieres" (CENTIF). Since its inception in January 2008, CENTIF has received approximately 98 SARs and forwarded four cases to prosecutors. To date, no arrests or convictions have resulted.

Large currency transaction reporting: Yes

The Central Bank of West African States (BCEAO) requires banking officials in member countries to report all deposits over CFA 5,000,000 (approximately $11,363) to the BCEAO, along with customer identification information.

Narcotics asset seizure and forfeiture: Yes

The AML law includes both criminal and civil penalties, and permits the freezing and seizure of assets, which can be both instruments for and proceeds of crime. Legitimate businesses are among the assets that can be seized if used to launder money or support terrorism or other illegal activities. Authorities cannot seize substitute assets, as assets can only be seized if there is a relationship between the assets and the offense.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements:

When traveling to another WAEMU country, Ivorian and expatriate residents must declare the amount of currency being carried out of the country. When traveling to a destination outside WAEMU, Ivorian and expatriate residents are prohibited from carrying an amount of currency greater than the equivalent of 500,000 CFA francs (approximately $1,136) for tourists, and two million CFA francs (approximately $4,545) for business operators, without prior approval from the Ministry of Economy and Finance. If additional amounts are approved, they must be in the form of travelers' checks.

Cooperation with foreign governments:

The AML Law provides a legal basis for international cooperation.

U.S. or international sanctions or penalties: Yes

In October 2009, the United Nations Security Council extended sanctions previously imposed on Cote d'Ivoire; the sanctions include an arms embargo and the ban on any country importing rough diamonds from Cote d'Ivoire. The country has been split by a long-running civil war with a rebel-held north and a government-held south.

Enforcement and implementation issues and comments:

The banking sector is active, but because it caters to large commercial enterprises rather than small-account holders, many Ivoirians use informal money couriers, money transfer organizations similar to hawaladars and, increasingly, goods transportation companies to transfer funds domestically, as well as within the region. The absence of banking services in northern Côte d'Ivoire during the political/military crisis led to an even greater use of informal transfers in that area of the country. There is no regulation of domestic informal value transfer systems. Informal remittance transfers from outside Cote d'Ivoire violate BCEAO money transfer regulations.

The Economic and Financial police report an ongoing rise in financial crimes related to credit card theft and foreign bank account fraud. These include wire transfers of large sums of money primarily involving British and American account holders who are the victims of Internet-based advance fee scams. Cote d'Ivoire has no law specifically targeting Internet scams. Cote d'Ivoire is ranked 154 out of 180 countries in Transparency International's 2009 Corruption Perceptions Index.

Hizballah is present in Côte d'Ivoire and conducts fundraising activities, mostly among the large Lebanese expatriate community. In 2009 the GOCI took steps to restrict the fundraising efforts of Lebanese Hizballah operating out of mosques in Abidjan. In May 2009, pursuant to Executive Order (E.O.) 13224, the Department of the Treasury designated Abd Al Menhem Qubaysi, an Ivorian-based Hizballah supporter and the personal representative of Hizballah Secretary General Hassan Nasrallah. Qubaysi departed Cote d'Ivoire and has since been barred from returning.

In 2009, there were no arrests or prosecutions for money laundering or terrorist financing.

The BCEAO and the GOCI report that they promptly circulate to all financial institutions the names of suspected terrorists and terrorist organizations on the UNSCR 1267 Sanctions Committee's Consolidated List and those on the list of Specially Designated Global Terrorists designated by the U.S. pursuant to E.O. 13224. To date, no assets related to terrorist entities or individuals have been discovered, frozen or seized.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

Other than the authority granted to CENTIF by the AML law, the GOCI has neither adopted laws nor promulgated regulations that specifically allow for the exchange of records with the United States on money laundering and terrorist financing. However, the GOCI has demonstrated a willingness to cooperate with the United States in investigating financial or other crimes.

International agreements:

CENTIF can share information with other FIUs in WAEMU and with those of non-WAEMU countries on a reciprocal basis and with the permission of the Ministry of Finance.

Cote d'Ivoire 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

The GOCI participates in the Intergovernmental Group for Action against Money Laundering (GIABA), a Financial Action Task Force-style regional body. GIABA had scheduled a mutual evaluation for Cote d'Ivoire for November 2009, but it was postponed by the Ivoirians. Once an evaluation is completed and published, it will be found here: http://www.giaba.org/index.php?type=c&id=24&mod=2&men=2

Recommendations:

The Government of Cote d'Ivoire should work to improve implementation of their AML and CTF laws in line with international standards. The Ministry of Finance should continue to build human and technological capacity at CENTIF to maximize effectiveness in FIU functions, especially analysis, outreach, and information sharing. CENTIF should continue to work toward becoming a member of the Egmont Group. Cote d'Ivoire's law enforcement and customs authorities need to implement measures to diminish smuggling, trade-based money laundering, and informal value transfer systems. Government of Cote d'Ivoire (GOCI) authorities should also take steps to halt the spread of corruption that permeates both commerce and government and facilitates the continued growth of the underground economy and money laundering. The GOCI should become a party to the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

Cuba

Cuba is not considered an important regional financial center. Cuban practices and U.S. sanctions prevent Cuba's banking system from fully operating in the international financial system. There is a significant black market in Cuba that operates as a supply and demand market parallel to the heavily subsidized and rationed formal market controlled by the state. The black market, including mostly goods obtained locally but also some smuggled goods, is primarily funded by the nearly $1 billion in remittances sent to Cuba every year. These funds, mostly in US dollars or euros, are traded for Cuban pesos at government foreign exchange houses. The Government of Cuba (GOC) does not report estimates of funds received through remittances, but estimates from international and Cuban sources range between $500 million and $1 billion. Most of these remittances come from Cuban-Americans and are delivered to family members. Historically, only 10-20 percent is carried by formal remittance carriers (i.e., Western Union) due to previous U.S. restrictions on the dollar amount and frequency of remittances. Cuba continues to have one of the most secretive and non-transparent national banking systems in the world.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

Law 87 of February 26, 1999 added money laundering to the penal code. Article 346 of Chapter II of Law 87 states that any person who acquires, converts, or transfers property, or attempts to carry out such transactions, or conceals property, knowing or who should have known, that such property is the direct or indirect proceeds of acts connected with illicit trafficking in drugs, arms or persons, or with organized crime, shall be liable to a penalty of imprisonment.

Criminalizes terrorist financing:

Law 93 of December 20, 2001: Law against acts of terrorism. In regard to the financing of terrorism, Chapter IX states that any person who directly or indirectly collects, transports, provides or has in his power financial or material funds or resources with the intention or knowledge that they are to be used to carry out terrorist offenses, shall be subject to imprisonment. The same penalty applies to any person who, directly or indirectly, makes funds, financial or material resources, or services of any other kind, available to any person or entity who uses them to carry out terrorist offenses.

Instruction 19 of May 7, 2002: "Guidelines for the struggle against financing terrorism" was issued for the purpose of enforcing the provisions in Cuban Law 93 of 2001, the UN Convention for the Suppression of the Financing of Terrorism, UNSCR 1373, Financial Action Task Force (FATF) Recommendations, Cuban Resolution 91 of 1997, and Cuban Instruction 1 of 1998.

Know-your-customer rules:

Resolution 91 of March 9, 1997 provides for the application of "Guidelines for members of the national banking system relating to the detection and prevention of movements of illicit capital". Instruction 1 of February 20, 1998 establishes 19 steps to implement the general guidelines in Resolution 91, including know-your-customer requirements, monitoring large cash deposits and withdrawals, and identifying company accounts as the most likely vehicle for money laundering. Instruction 19 of 2002 states that special attention should be paid to operations made by non-profit organizations. The GOC heavily regulates the small non-profit sector.

Bank records retention:

The National Banking System should keep records for five years from the conclusion of transactions.

Suspicious transaction reporting:

Resolution 27 of December 7, 1997 provides for the creation of the Central Risk Information Office (CIR), which compiles and processes information on suspected or actual instances of money laundering. The resolution requires all banks and non-bank financial institutions to report such information on a monthly basis.

According to Cuban Instruction 19 of 2002, banks are required to report immediately to the Ministry of Interior and the CIR about any "complex transaction of an unusual amount" or those that do not appear to have any legal economic purpose; that demonstrates unquestionably that a money laundering operation is in progress; or is suspected terrorist financing. According to press reports, the Central Bank through Instruction 1 of 2009 now requires banks also to determine if a given financial transaction corresponds to a (state or foreign) company's approved corporate or social purpose. Resolution 91 of 1997 indicates a statutory reporting threshold of CUP 10,000 (equivalent to $10,000 at the time).

Large currency transaction reporting:

The international press reports that cash transactions are now only authorized for salary payments. All other cash transactions require authorization from the bank president or his representative. The GOC has not made any public announcements or statements about these new rules, which as of December 2009 were still not officially published.

Narcotics asset seizure and forfeiture:

Banks are authorized by Instruction 19 to block or freeze the financial assets of Cuban or foreign individuals or legal persons under suspicion for money-laundering (including as the result of drug trafficking) transactions. The penal code provides that anyone convicted of money laundering or terrorist financing will forfeit any proceeds. The penal code further provides that authorities may seize and confiscate not only financial assets but proceeds and any property instrumental to the offense. The GOC has not made public any information regarding narcotics-related, terrorism-related, or other criminal-related financial assets frozen or seized in 2009.

Narcotics asset sharing authority:

No information reported.

Cross-border currency transportation requirements:

Travelers to Cuba must fill out a customs declaration if they are carrying cash in excess of $5,000 or the equivalent in other currencies. Travelers departing Cuba are only permitted to export convertible

currency and other valuables exceeding an amount of $5,000 if the amount had been previously imported and declared; or the amount was lawfully acquired in Cuba, which must be proven through presentation of relevant bank documents.

Cooperation with foreign governments:

The GOC provides U.S. authorities access to Cuban counter-narcotics efforts on a case-by-case basis, including providing investigative criminal information. Similar cooperation on counter-terrorism activities does not exist. On August 25, 2009, the GOC granted U.S. authorities permission to serve U.S. notices of forfeiture on three Cuban-American brothers suspected of defrauding the United States out of more than $100 million in illegal Medicare claims. In October 2009, Cuba participated through the World Customs Organization (WCO) in Operation ATLAS (Assess, Target, Link, Analyze and Share), the largest multilateral operation in history targeting cash smugglers.

U.S. or international sanctions or penalties:

The Cuban Assets Control Regulations, 31 CFR Part 515, were issued by the U.S. Government on July 8, 1963, under the Trading With the Enemy Act. The regulations impose restrictions on travel and remittances to Cuba and prohibit import of products of Cuban origin or, with some exceptions, export of goods from the U.S. to Cuba. Additionally, all assets of the Cuban government or Cuban nationals in the U.S. are frozen. In 2009, some of the restrictions related to family travel and remittances were relaxed, however, the broad trade embargo enforced by the regulations remains in place.

Enforcement and implementation issues and comments:

The Cuban economy operates in two currencies: the Cuban peso (CUP) and the Cuban convertible peso (CUC). The currencies are traded at 24:1 in government foreign exchange houses, but the official exchange rate of 1:1 is used in government statistics, making it nearly impossible to reconcile Cuban official monetary statistics. The GOC released no information about any arrests, prosecutions or convictions for money laundering or terrorist financing within Cuba in 2009.

We have no knowledge of whether the GOC has circulated to its financial institutions the list of individuals and entities included on the UN 1267 sanctions committee's consolidated list, or any other UN, U.S., or third party list.

U.S.-related currency transactions:

A large volume of remittances occurs in US dollars. The circulation of the US dollar has been prohibited since 2004. The Cuban government tightly controls all currency exchange and charges a ten percent commission on US dollar exchanges.

Records exchange mechanism with U.S.:

The United States has no bilateral counter-narcotics, anti-money laundering, or counter-terrorism agreements with Cuba.

International agreements:

The GOC maintains that it has close ties to regional counter-narcotics initiatives. The GOC reported that in 2009 it was a party to two memorandums of understanding and 56 judicial assistance agreements.

Cuba 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

Cuba is not a member of a FATF-style regional body or the Egmont Group of Financial Intelligence Units.

Recommendations:

Cuba should increase the transparency of its financial sector and increase its engagement with the anti-money laundering/counter-terrorist financing community in order to increase its capacity to fight these illegal activities. If it is not doing so, the Government of Cuba should circulate to financial institutions the list of designated terrorists and terrorist organizations.

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.

Czech Republic

The Czech Republic is a small, open, export-oriented economy. However, the Czech Republic's central location in Europe and its status as a functional market economy leave it vulnerable to money laundering. Also, despite the development of modern payment techniques, the economy is still heavily cash-based. Various forms of organized crime (narcotics trafficking, trafficking in persons, fraud, counterfeit goods, embezzlement, and smuggling) remain the primary sources of laundered assets in the country. Major sources of criminal proceeds include criminal offenses against property, insurance fraud, and credit fraud. Two leading insurance houses detected frauds amounting to CZK 285 million (approximately $29 million) during the first nine months of 2009. Domestic and foreign organized crime groups target Czech financial institutions for laundering activity, most commonly by means of financial transfers through the Czech Republic. Banks, investment companies, real estate agencies, and casinos and other gaming establishments have all been used to launder criminal proceeds. Currency exchanges in the capital and border regions are also problematic.

Connections between organized crime and money laundering have been observed mainly in relation to activities of foreign groups, in particular from the former Soviet republics, the Balkan region, and Asia. They often enter the country by first opening various front companies, then receiving residency permits for employment in their own companies. Alternatively, immigrants start business companies, which in many cases create the base for illegal migration, creating a personnel base for criminal organizations.

Offshore Center:

The Czech Republic is not considered an off-shore financial center.

Free Trade Zones:

There are 11 Free Trade Zones operating in the Czech Republic.

Criminalizes narcotics money laundering: Yes

The laws cover all serious crimes, including narcotics money laundering.

Criminalizes other money laundering, including terrorism-related: Yes

A July 2002 amendment to the Criminal Code introduces a new independent money laundering offense with a wider scope than previous provisions; it also allows prosecution for self-laundering. The most recent amendment to the Criminal Code, which goes into effect on January 1, 2010, stipulates punishments for the legalization of proceeds from all serious criminal activity, and calls for the forfeiture of assets associated with money laundering. Section 216 of the Criminal Code explicitly criminalizes money laundering. New amendments to the Criminal Code expand the definition of "criminal activity" to cover negligence.

Criminalizes terrorist financing:

(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 Czech Republic has specific laws criminalizing terrorist financing and legislation permitting rapid implementation of UN and EU financial sanctions, including action against accounts held by suspected terrorists or terrorist organizations. In November 2004, the Czech Government amended the Criminal Code and enacted new definitions for terrorist financing. An amendment to the AML law in 2000 requires financial institutions to freeze assets that belong to suspected terrorists and terrorist organizations on the UN 1267 Sanctions Committee consolidated list.

Know-your-customer rules:

Act No. 61/1996, Measures Against Legalization of Proceeds from Criminal Activity (AML Act), provides the general preventive anti-money laundering (AML) framework. The latest amendment, Act No. 253/2008, came into force September 1, 2008. Act No. 253/2008 requires customer identification for all transactions exceeding 1,000 euros (approximately $ 1,500). For transactions above 15,000 euros (approximately $22,650), customers are required to provide more extensive information, including details of the purpose and nature of the intended transaction. The law also calls for more stringent controls of financial transactions involving politically exposed persons (PEPs) and their immediate family members.

In 2002, the Government of the Czech Republic (GOCR) amended existing legislation to abolish all existing bearer passbooks by December 31, 2012. While account holders can still withdraw money from the accounts, they do not earn interest and cannot make deposits. Since 2002, about CZK 117 billion (about 97%) has been withdrawn from anonymous passbook accounts. As of July 2009, the Czech Republic has about 2.6 million anonymous deposit passbooks containing CZK 3.08 billion (approximately $174 million). During the first six months of 2009, approximately CZK150 million (approximately $8.7 million) was withdrawn from these accounts.

Bank records retention:

Act No. 253/2008 requires institutions to keep internal records of all transactions exceeding 10,000 euros (approximately $ 15,000) for a period of at least ten years. Records of transactions lower than 10,000 euros (approximately $15,000) must be kept for a period of five years (AML Act, Sec. 16).

Suspicious transaction reporting:

Under Act No. 253/2008, a wide range of financial institutions, as well as attorneys, casinos, realtors, notaries, accountants, tax auditors, and entrepreneurs engaging in financial transactions, to report all suspicious transactions, and those that might be linked to terrorist financing, to the financial intelligence unit (FIU). In 2008, 2,320 suspicious transaction reports (STRs) were received, 78 of which were

forward to the police for investigation. Only 1,509 STRs were received during the first nine months of 2009.

Large currency transaction reporting: Yes

Narcotics asset seizure and forfeiture:

Asset forfeiture was introduced into the criminal system in 2002 and allows judges, prosecutors, or the police (with the prosecutor's consent) to freeze an account or assets if evidence indicates the contents were used or will be used to commit a crime, or if the contents are proceeds of criminal activity. A 2006 amendment to the Czech Criminal Procedure Code and Penal Code allows for the freezing and confiscation of the value of any asset (including immovable assets). These provisions allow the police and prosecutors to seize assets gained in illicit activity previously shielded by family members. The law allows for the seizure of substitute assets as well as equivalent assets not belonging to the criminal. In the first five months of 2009, the police seized assets totaling CZK 363 million (approximately $21.1 million).

The FIU is authorized to freeze accounts for 72 hours.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements:

Under the provisions of the AML Act, anyone entering or leaving the Czech Republic with more than 10,000 euros (approximately $14,000) in cash, traveler's checks, or other monetary instruments must make a declaration to customs officials, who are required to forward the information to the FIU. Similar reporting requirements apply to anyone seeking to mail the same amount in cash to or from the country.

Cooperation with foreign governments (including refusals):

No known impediments to cooperation exist.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

In practice, the effectiveness of the cross-border currency declaration procedures is difficult to assess. As a result of the Czech Republic's December 2007 entry into the Schengen zone, all passport and customs stations on the borders are closed, therefore, detecting the smuggling or transport of large sums of currency by train or highway is difficult.

Both the FIU and the police face staffing challenges. Despite numerous requests by the FIU for an increase in staffing, to date, the GOCR has not yet approved the FIU's request. The police have faced even bigger challenges due to changes in police retirement rules that incentivize early retirement during a three-month window. Many of the most senior and experienced police officers have retired or will retire in the near future. The dissolution of the Financial Police, created in 2004, and with a good track record of investigating and prosecuting money laundering and terrorist financing cases, has also had a negative impact on financial crime investigations.

An ongoing issue in criminal prosecutions is that law enforcement agencies must prove the assets in question were derived from criminal activity. In 2008, the police investigated 37 cases; 19 were prosecuted. During the first nine months of 2009, 40 cases have been investigated and 18 are being prosecuted. No data is available regarding the number of convictions in 2009.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

The United States and the Czech Republic have a Mutual Legal Assistance Treaty (MLAT), which entered into force on May 7, 2000. In May 2006, the United States and the Czech Republic signed a supplemental MLAT.

International agreements:

The Czech Republic has signed memoranda of understanding on information exchange with 23 countries, the most recent being Paraguay. According to the FIU, the existing AML legislation is sufficient for the purposes of international cooperation (AML, Section 33), and no negotiations on new memoranda are currently being held.

The Czech Republic 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

The Czech Republic is a member of the Council of Europe's Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Czech_en.asp

Recommendations:

The Czech Republic has taken several steps in 2009 to enhance its anti-money laundering/counter-terrorist financing (AML/CFT) regime. The most pressing challenge currently relates to the burden on law enforcement to prove a link between seized assets and criminal activity. The government of the Czech Republic (GOCR) should consider amending its legislation to reverse the burden of proof. The Czech Republic should take steps to ensure the police and the FIU have sufficient resources to effectively implement and enforce the AML/CFT measures. In addition, the GOCR should ratify the UN Convention against Transnational Organized Crime and UN Convention against Corruption.

Denmark

Denmark is not a major financial center and, although authorities do not believe Denmark is very often viewed as a particularly attractive place for money laundering, there have been some instances of placement of proceeds in banks in situations where neither the victim nor the perpetrator resided in Denmark. Major sources for proceeds are drug trafficking and economic crimes, particularly VAT and investment frauds, smuggling of goods, and violations of intellectual property rights. Outlaw motorcycle gangs have been involved in a range of offenses, including narcotics-related offenses, smuggling of goods, and various financial crimes. Denmark is geographically vulnerable to serving as a transit country for smuggling into Sweden and Norway. The proceeds of crime are typically transferred out of Denmark soon after offenses occur.

Offshore Center: No

Free Trade Zones: Yes

The only free trade zone in Denmark is the Copenhagen Free Port, which is operated by the Port of Copenhagen. The Port of Copenhagen and the Port of Malmö (Sweden) in 2001 merged their commercial operations, including the Free Port activities, in a joint company named CMP (Copenhagen Malmö Port). The facilities in the free port are mostly used for tax-free warehousing of goods imported, for exports, in-transit trade, and distribution. Tax and duties are not payable until cargo leaves the Free Port.

Criminalizes narcotics money laundering: Yes

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

Money laundering is criminalized via the Consolidated Act no. 442 of 11 May 2007 on Measures to Prevent Money Laundering and Financing of Terrorism, as amended in June 2008 (Act no. 442). Money laundering is also covered in criminal law by section 290 of the Danish Criminal Code on the acquisition of proceeds obtained by punishable violation of the law. Self laundering is not covered. Denmark has adopted an all crimes approach by making its money laundering statute applicable in the case of any punishable violation of law.

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/)

Denmark criminalizes terrorist financing via Act no. 442. Terrorist financing is a punishable offense under section 114b of the Danish Criminal Code. According to this provision, it is forbidden directly or indirectly to provide financial support to, procure or collect funds for or place money, other assets or financial or other similar services at the disposal of terrorists.

Know-your-customer rules: Yes

Companies must maintain legal ownership information for other than bearer shares. Know-your-customer requirements apply to financial institutions and company and trust service providers. Accounting information for all entities is required to be kept in accordance with the Joint Ad Hoc Group on Accounts standards.

Bank records retention: Yes

Company financial audits are required each year and those records must be kept for a minimum of five years.

Suspicious transaction reporting: Yes

Reporting entities including banks, non-bank financial institutions and designated non-financial businesses and professions are required to file suspicious transaction reports (STRs) to the Money Laundering Secretariat (MLS), Denmark's financial intelligence unit (FIU). Between January 1, 2009 and December 6, 2009, the Office of the Public Prosecutor for Serious Economic Crime (PPSEC) reported that 2,029 STRs had been submitted. The majority of STRs come from money remittance operators (46%), while banks (35%) and currency exchange operators (18%) make up most of the remainder.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture:

In 2007, the PPSEC set up an interdisciplinary unit to trace proceeds from crime with the aim of confiscation. The Asset Recovery Group investigates the money flow in cases concerning complicated economic crime. There is no asset forfeiture fund.

Narcotics asset sharing authority: Yes

Denmark's Law on Enforcement of Certain Criminal Decisions in the European Union (EU), which went into effect in 2005 and implements recent EU Framework Decisions (including the Framework Decision on the application of mutual recognition to confiscation orders), provides *inter alia* for the sharing with EU member states in some instances. Under Sections 42 and 43 of the Law, amounts of money or assets valued at less than 10,000 euros fall to the Danish National Treasury but amounts in excess of the 10,000 euro threshold are shared equally.

Cross-border currency transportation requirements: Yes

Under the Customs Act any person physically entering or leaving or sending or receiving covered items in or out of the Danish tariff area, must declare, on their own initiative, all cash and negotiable instruments exceeding a value of 15,000 euros. Cash, travelers checks, other monetary instruments such as securities, precious metals and gold are subject to declaration.

Cooperation with foreign governments:

Denmark regularly cooperates in international efforts to combat money laundering and terrorist financing. The Asset Recovery Group cooperates with similar groups in the other Nordic countries, and is part of the so-called CARIN network (Camden Asset Recovery Inter-Agency Network), which is a European network for similar asset recovery offices.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Reporting requirements for casinos are covered by the Gambling Casino Act. Unfortunately, this law's definition of casino omits gaming establishments with electronic gaming machines having restricted wagers and payouts from the Danish anti-money laundering/counter-terrorist financing (AML/CFT) regime. Additionally, the two legal providers of Internet gaming - the public benefit lottery "Klasselotteriet" and the state gaming agency Dansk Tipstjeneste Group - are not covered by AML/CFT provisions.

A Money Laundering Steering Committee has been operational since 1993. It meets twice a year and has representatives from Police agencies and the FIU.

U.S.-related currency transactions: No

There are no indications that currency transactions in Denmark involving international narcotics trafficking proceeds 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.

Records exchange mechanism with U.S.:

In 2001 and 2002, two U.S.-Europol agreements were concluded to allow U.S. law enforcement authorities and Europol to share both strategic information as well as "personal" information (such as names, addresses, and criminal records). In June 2003, the United States and the EU signed two treaties on extradition and mutual legal assistance (MLA). On September 1, 2009, Denmark and the United States exchanged Instruments of Ratification and signed Protocols of Exchange thereof, with respect to the MLA and extradition agreements. A customs mutual assistance agreement between the U.S. and Denmark has been in effect since 1991.

International agreements:

Denmark is a member of the EU's Money Laundering Contact Committee in Brussels.

Denmark 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

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

Recommendations:

The Government of Denmark has a comprehensive AML/CFT regime and should continue to enhance its laws and regulations as necessary to adhere to international standards. Denmark should extend its AML/CFT requirements to cover gaming establishments and Internet gaming providers.

Djibouti

Djibouti is one of the most stable countries in the Horn of Africa. It is a financial hub in the sub-region, thanks to its U.S. dollar-pegged currency and its unrestricted foreign exchange. Over the past three years, Djibouti's economy has undergone a substantial transformation due to a surge in foreign direct investment inflows—primarily from the countries of the Gulf Cooperation Council (GCC)—in the port, construction and tourism sectors. Officials from the Central Bank have not reported any recent instances of money laundering. Informal and black markets for goods remain important. Smuggled goods consist primarily of highly taxed cigarettes and alcohol. Due to Djibouti's strategic location in the Horn of Africa and its cultural and historical trading ties, Djibouti-based traders and brokers are active in the region

Offshore Center: No

Djibouti currently hosts no offshore banks, but its banking laws explicitly permit offshore institutions.

Free Trade Zones: Yes

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

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

The Anti-Money Laundering Law No. 196 of 2002 (AML Law) applies to financial institutions of all kinds, as well as to professionals involved in financial matters. Regulated activities include money deposits, insurance, investment, real estate, casinos, and entertainment.

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 Law criminalizes the financing of terrorism, consistent with UNSCR 1373.

Know-your-customer rules: Yes

The AML Law requires financial institutions to verify customer information, including current residence.

Bank records retention:

No information available.

Suspicious transaction reporting: Yes

Obligated entities are required to forward suspicious transaction reports (STRs) to the Djibouti financial intelligence unit (FIU). The FIU works with a newly established Subcommittee on Money Laundering and Terrorist Finance, under the National Counterterrorism Committee.

Large currency transaction reporting:

All transactions above a ceiling of one million Djiboutian Francs (approximately $5,650) must be declared to the FIU.

Narcotics asset seizure and forfeiture: Yes

The AML Law allows for the freezing or seizing of assets in suspected terrorist finance cases.

Narcotics asset sharing authority: No

Cross-border currency transportation requirements:

No information available.

Cooperation with foreign governments:

The Anti-Money Laundering Law stipulates that Djibouti will cooperate with other countries by exchanging information, assisting in investigations, providing mutual technical assistance and facilitating the extradition process in money laundering cases. The FIU may enter into agreements with foreign FIUs to share information, if the foreign FIUs are bound by similar rules of confidentiality and secrecy. At the regional level, the FIU works in collaboration with FIUs from member states of the Intergovernmental Authority on Development (IGAD).

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Expertise in investigating and prosecuting financial crimes is minimal**.**

The government regularly circulates the names of individuals and entities included on the UNSCR 1267 Sanctions Committee's consolidated list.

U.S.-related currency transactions:

The Djibouti economy is dollarized.

Records exchange mechanism with U.S.:

Djibouti does not have an agreement with the United States government to exchange information on money laundering, but Central Bank officials have repeatedly indicated they would fully cooperate if requested.

International agreements:

The Djibouti FIU is not a member of the Egmont Group.

Djibouti 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

Recommendations:

While Djibouti took a positive step by adopting anti-money laundering legislation and establishing an FIU, enforcement of the law remains a major challenge. Though Djibouti makes an effort to control all formal transaction points, greater resources and independence could improve the oversight capabilities of the Central Bank and the FIU. Corruption is also a concern. While customs transparency has greatly improved under Dubai Ports World management of the customs service, the Government of Djibouti should continue to focus on improving customs controls on cross-border currency movements, especially at land borders. Finally, Djibouti must also ensure its anti-money laundering regime is effectively applied in all current and planned free zones, and to all professionals involved in financial matters.

Dominica

Dominica is a major offshore center with a large international business company (IBC) presence and internet gaming. Dominican officials believe most of the money laundering cases under investigation involve external proceeds from fraudulent investment schemes. There has also been evidence of advance

fee fraud schemes. Domestically driven money laundering primarily has a nexus to drug-related activities. There has been a surge in the placement of euros in the banking system related to questionable activities in Guadeloupe and Martinique. Money remitters have also been used to transfer funds to questionable locations.

Offshore Center: Yes

Dominica's financial sector includes two offshore banks, 14,955 IBCs, 21 insurance companies, nine money services businesses, and four internet gaming companies. Under common banking legislation enacted by its eight member jurisdictions, the Eastern Caribbean Central Bank (ECCB) acts as the primary supervisor and regulator of onshore banks in Dominica. The ECCB, in conjunction with the Financial Services Unit (FSU), supervises Dominica's offshore banks. The ECCB assesses applications for offshore banking licenses, conducts due diligence checks on applicants, and provides a recommendation to the Minister of Finance. Offshore banks are required to have a physical presence and are forbidden from opening client accounts before verifying the beneficial owner of the bearer shares and/or companies.

The International Business Companies Act (IBCA), enacted in 1996 and most recently amended in 2001, requires that bearer shares be kept with an approved fiduciary, who is required to maintain a register with the names and addresses of beneficial owners. The Act also requires previously issued bearer shares to be registered. Dominica permits "shelf companies" or ready-made offshore companies that have already been incorporated with a nominee director and nominee shareholder, and are for sale for immediate use. IBCs are not required to have a physical presence and are restricted from conducting local business activities. Internet gaming entities must register as IBCs.

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

The 2001 Money Laundering Prevention Act (MLPA) applies to all onshore and offshore financial institutions including banks, trusts, insurance companies, money transmitters, regulated businesses, and securities companies. In Dominica, all serious offenses are predicate offenses for money laundering.

Criminalizes terrorist financing: Yes

In 2003, Dominica enacted the Suppression of Financing of Terrorism Act. Terrorist financing offenses extend to any person who willfully provides or collects funds by any means, directly or indirectly, with the unlawful intention that they be used or in the knowledge that they are to be used, in full or in part to carry out a terrorist act; by a terrorist organization; or by an individual terrorist.

Know-your-customer rules: Yes

Regulations require the establishment of the true identity of the beneficial interests in accounts, and mandate the verification of the nature of the business and the source of the funds of the account holders and beneficiaries.

Bank records retention: Yes

Obligated entities must keep customer identification and business transaction records for a period of seven years.

Suspicious transaction reporting: Yes

The financial intelligence unit (FIU), established under the MLPA, became operational in August 2001. The FIU analyzes suspicious transaction reports (STRs) and forwards appropriate information to the Director of Public Prosecutions. In 2009, the FIU received 94 STRs, up from 73 in 2008.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture:

The MLPA provides for the freezing of assets for seven days by the FIU, after which time a suspect must be charged with money laundering or the assets released. All assets that can be linked to any individual or legitimate business under investigation can be seized or forfeited, providing the amount seized or forfeited does not exceed the total benefit gained by the subject from the crime committed. The court can order the confiscation of frozen assets. In 2008, $47,552 was seized. No funds were seized in 2009.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: No

Cooperation with foreign governments:

Dominica cooperates on international money laundering and other financial crimes investigations on a case-by-case basis. The FIU supported the Attorney General of Dominica to provide evidential information to the Dresden Public Prosecutors Office of Germany under the aegis of the Mutual Assistance in Criminal Matters Act No. 9 of 1990. This evidential information significantly contributed to the successful prosecution of three persons in Germany for a fraudulent investment scheme.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Under Dominica's Economic Citizenship Program, individuals can purchase citizenship and obtain passports for approximately $75,000 for an individual and $100,000 for a family of up to four persons. There is no residency requirement and passport holders may travel to Commonwealth countries without a visa. An application for economic citizenship must be made through a government approved local agent and requires a fee for due diligence or background check purposes. An in-person interview is also required. In the past, subjects of United States criminal investigations have been identified as exploiting this program. In 2008, 16 individuals acquired economic citizenship; 70 were granted in 2009.

There are no known convictions on money laundering charges in Dominica, and there were no arrests or prosecutions for money laundering or terrorist financing in 2009.

The Government of the Commonwealth of Dominica (GOCD) circulates pertinent terrorist lists to financial institutions. To date, no accounts associated with terrorists or terrorist entities have been found in Dominica.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

In 2000, a mutual legal assistance treaty between Dominica and the United States entered into force. Dominica's FIU is able to exchange information with the Financial Crimes Enforcement Network.

International agreements:

Dominica 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

Dominica is a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering. Dominica is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here: http://www.cfatf-gafic.org/mutual-evaluation-reports.html

Recommendations:

The Government of the Commonwealth of Dominica (GOCD) should fully implement and enforce the provisions of its legislation and provide additional resources for regulating offshore entities, including immobilizing the bearer shares of shell companies and stringently regulating internet gaming entities. Dominica also should take measures to update its anti-money laundering regulations and guidance notes to reflect current international standards. Additional awareness training for financial institutions, specifically banks, to ensure their understanding and compliance of STR reporting requirements would significantly strengthen the GOCD's regulatory framework. Furthermore, the GOCD should either commit to engage in scrupulous due diligence on economic citizenship applicants, or eliminate the program. The GOCD also should move expeditiously to become a party to the UN Convention against Corruption and the UN Convention against Transnational Organized Crime.

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 orruption within both government and industry.

Ecuador

Ecuador is a major drug transit country, and with a dollarized economy and geographical location between two major drug producing countries, Ecuador is highly vulnerable to money laundering. Because only major banks have active money laundering controls in place, and because a large number of transactions take place through unregulated money exchange and remittance companies, there is no reliable way to judge the magnitude of such activity in the country. There is evidence that money laundering is taking place through trade and commercial activity, as well as through cash couriers. Weakly regulated casinos and deficient financial supervision serve as additional vulnerabilities for money laundering. Large amounts of unexplained currency entering and leaving Ecuador indicate that transit of illicit cash is also a significant activity. Though smuggled goods are regularly brought into the country, there is no evidence they are significantly funded by drug proceeds. Recent allegations have surfaced about the possibility of Colombian drug traffickers' use of Ecuador's financial system to launder drug proceeds through pyramid or Ponzi schemes.

Offshore Center: Yes

Licensing requirements and regulations are essentially the same for onshore and offshore banks, with the exception that offshore deposits no longer qualify for the government's deposit guarantee. Also, offshore banks are required to contract external auditors pre-qualified by the Superintendency of Banks. These private accounting firms perform the standard audits that would generally be undertaken by the Superintendency. Anonymous directors are not permitted.

Free Trade Zones: Yes

According to Ecuador's Internal Revenue Service (SRI) there are seven free trade zones (FTZ) in Ecuador distributed throughout the country, including in major cities Guayaquil, Quito, Cuenca and Manta. FTZs are regulated by Ecuador's Customs Authority. Companies operating inside an FTZ can be owned by domestic or foreign individuals or corporations.

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

Law 2005-12 of October 2005 criminalizes money laundering. The law amends the Narcotics and Psychotropic Substance Act of 1990 (Law 108) and criminalizes the laundering of illicit funds from any source. The 2005 law also criminalizes money laundering in relation to any illegal activity, including drug trafficking, trafficking in persons, and prostitution; however, there is no criminal liability for legal persons, and the law lacks effective criminal sanctions. The law states that money laundering is an autonomous crime so no previous conviction for a predicate offense is required to prosecute it.

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 financing of terrorism has not been criminalized, and Ecuador lacks adequate legislation to identify, freeze or seize terrorist assets.

Know-your-customer rules: Yes

On July 17, 2008, the Banking Board of the Republic of Ecuador issued Resolution No. JB-2008-1154 that establishes substantial new customer due diligence obligations.

Bank records retention: Yes

Obligated entities must maintain financial transaction records for ten years.

Suspicious transaction reporting: Yes

The 2005 law establishes Ecuador's financial intelligence unit (FIU), the Unidad de Inteligencia Financiera (UIF). All entities that fall under the 1994 Financial System Law, including banks, savings and credit institutions, investment companies, stock exchanges, mutual funds, exchange houses, credit card administrators, money transmitters, mortgage companies, insurance companies and reinsurance companies, are required to report all suspicious transactions to the UIF. Cases that are deemed to warrant further investigation will be sent to the Fiscalia. In 2009 the UIF received a total of 240 suspicious transaction reports (STRs) of which 15 were submitted to the Fiscalia. Financial institutions are not required to report suspicious transactions related to terrorism or terrorist financing.

Large currency transaction reporting: Yes

Obligated entities must report cash transactions over $10,000 (including structured transactions amounting to more than $10,000 over a 30-day period).

Narcotics asset seizure and forfeiture: Yes

Ecuador's legal system provides for asset forfeiture upon conviction; however, civil forfeiture is not permitted and Ecuador is unable to seize or confiscate assets of corresponding value or assets registered under another name unless a direct connection can be made to a target. The National Council against Money Laundering is responsible for administering the freezing and seizure of funds that are identified as originating from illicit sources. However, it is difficult for Ecuadorian authorities to track and locate assets, and they lack information on the management and disposition of property seized. In 2009 the dollar amount of narcotics-related, terrorist-related and other criminal-related assets frozen, seized, and/or forfeited was approximately $34 million.

Narcotics asset sharing authority:

In 1994, the U.S. and Ecuador established asset sharing when they signed the Agreement in Recognition of the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of December 20 Relating to the Transfer of Goods, Assets and Instruments.

Cross-border currency transportation requirements: No

Any person entering Ecuador with $10,000 or more in cash must file a report with the customs service; however, this requirement is currently not being enforced.

Cooperation with foreign governments:

Ecuador cooperates extensively with Colombia and the United States to track, identify, and seize assets related to narcotics trafficking.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

In 2009, there has been a significant positive change in the enforcement against undeclared currency. In February 2009, the Ecuadorian National Police concluded a major money laundering investigation that resulted in the arrests of seven defendants and the seizure of $30.4 million worth of assets, including businesses, properties, and vehicles. The prosecution of the case is in process. In 2009, bulk cash seizures were almost double those from 2008 and totaled just over $2.5 million, including a sizeable bulk cash seizure of $282,000 made by Customs specialized anti-money laundering unit. The majority of the cash seizures, or about $2 million, were done at the two international airports in Quito and Guayaquil. To date, all of the persons arrested or detained as a result of these seizures have been subject to prosecution.

Ecuador's Ministry of Tourism calculates that, at a national level, there are at least 182 casinos and gambling venues. The National Association of Casinos reports that there are 30 legal casinos and over 100 illegal casinos that have not been authorized by the Ministry of Tourism. In May 2009, the

Government of Ecuador (GOE) issued Decree 1726, which brings more power to the Ministry of Tourism to control legal casinos.

Existing laws may conflict with the detection and prosecution of money laundering. For example, the Bank Secrecy Law severely limits the information that can be released by a financial institution directly to the police, and the Banking Procedures Law reserves information on private bank accounts to the Superintendency of Banks. In addition, the Criminal Defamation Law includes sanctions for banks and other financial institutions that provide information about accounts to police or advise the police of suspicious transactions if no criminal activity is ultimately proven. The law also does not provide safe harbor provisions for bank compliance officers. The UIF is seeking legal reforms to address at least some of these issues. According to the Fiscalia, five money laundering convictions were obtained in 2009.

The Superintendency of Banks has cooperated with the U.S. Government in requesting financial institutions to report transactions involving known terrorists, as designated by the United States as Specially Designated Global Terrorists pursuant to Executive Order 13224, or as named on the consolidated list maintained by the UNSCR 1267 Sanctions Committee. No terrorist finance assets have been identified to date in Ecuador.

U.S.-related currency transactions:

Ecuador is dollarized.

Records exchange mechanism with U.S.:

Ecuador and the United States are parties to a bilateral Agreement for the Prevention and Control of Narcotics Related Money Laundering that entered into force in 1993, and a 1994 Agreement to Implement the United Nations 1988 Drug Convention as it relates to the transfer of confiscated property, securities and instrumentalities. There is also a Financial Information Exchange Agreement (FIEA) between the GOE and the United States to share information on currency transactions. In general, Ecuador's cooperation with the U.S. on money laundering and financial crime has improved from 2008.

International agreements:

The UIF is not a member of the Egmont Group. However, it is empowered to exchange information with other FIUs on the basis of reciprocity and has entered into agreements with several countries to do so.

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

Recommendations:

The Government of Ecuador (GOE) has made progress in combating money laundering in recent years; however, the GOE should fully implement and amend the existing legislation, and apply anti-money laundering/counter-terrorist financing (AML/CFT) obligations to all financial sectors – particularly with respect to money remitters, the securities sector, currency exchanges, and unregulated cooperatives. Internet gaming also should be subject to appropriate AML/CFT controls and oversight. The GOE should ensure that a supervisory authority is designated to oversee and monitor compliance with AML/CFT obligations imposed on the additional financial sectors not already overseen by the SBS, and ensure that reporting requirements are enforced. The GOE should ensure the UIF becomes fully functional and meets

both the international standards and those of the Egmont Group. The GOE should criminalize the financing of terrorism to adhere to the UN Convention to which it is a party; such a step would also enable its FIU to apply for membership in the Egmont Group. The GOE should harmonize its legislation to eliminate conflicts that hinder successful money laundering investigations and prosecutions. The GOE should make a dedicated effort to train judges, prosecutors and investigators so they understand and are able to apply the new concept of allowing the prosecution of money laundering absent a conviction for a predicate offense. Finally, it is important for the GOE to take all necessary steps to comply fully with international anti-money laundering and counter-terrorist financing standards to which it has formally committed through its membership in the UN, the OAS and GAFISUD.

Egypt, Arab Republic of

Egypt is not considered a regional financial center or a major hub for money laundering. Egypt still has a large informal cash economy, and many financial transactions do not enter the banking system. As part of its ongoing economic reform plan, the Government of Egypt (GOE) continued financial sector reform in 2008 and 2009. Few money laundering cases have made it to court in the last several years; two in 2005 and two in 2007 of which three resulted in convictions. Illegal dealings in antiquities, corruption, misappropriation of public funds, smuggling, and the use of alternative remittance systems, such as hawala, increase Egypt's vulnerability to money laundering.

While there is no significant market for illicit or smuggled goods in Egypt, there is evidence that arms are being smuggled across Egypt's border with Gaza. The funding source is unclear, as is the destination of the proceeds. Other than arms smuggling, authorities say the under-invoicing of imports and exports by Egyptian businessmen is still a relatively common practice. The primary goal for businessmen who engage in such activity is reportedly to avoid taxes and customs fees. Customs fraud and invoice manipulation are also found in regional value transfer schemes. The number of businesses and individuals filing tax returns as a result of June 2005 tax reform continue to rise. Nevertheless, a large portion of the Egyptian economy remains undocumented and tax evasion is commonplace. Cash remains by far the preferred means of payment in Egypt and, despite efforts by the Egyptian authorities, modern means of payment remain underdeveloped.

Offshore Center: No

Free Trade Zones: Yes

Egypt has nine public free zones, 250 private free zones, and one special economic zone. Public free zones are outside of Egypt's customs boundaries, so firms operating within them have significant freedom with regard to transactions and exchanges. The firms may be foreign or domestic, may operate in foreign currency, and are exempt from customs duties, taxes, and fees. Private free zones are usually limited to a single project such as mixing, repackaging, assembling and/or manufacturing for re-export. The special economic zone allows firms operating in it to import capital equipment, raw materials, and intermediate goods duty-free and to pay only half the normal corporate and personal income taxes. All banks and non-financial institutions operating in such zones are subject to Egypt's anti-money laundering law provisions.

Criminalizes narcotics money laundering:

The Anti-Money Laundering Law No. 80 of 2002 (AML Law), updated in 2003 and 2008, criminalizes laundering of funds from narcotics trafficking, prostitution and other immoral acts, terrorism, antiquities theft, arms dealing, organized crime, and numerous other activities. The law did not repeal Egypt's existing law on bank secrecy, but it did provide the legal justification for providing account information to responsible civil and criminal authorities.

Criminalizes other money laundering, including terrorism-related: Yes

Egypt takes a list approach in designating predicate offenses for money laundering. Using this approach, Egypt, in addition to having 18 designated offenses under international standards, has also included as

predicate crimes illicit gains (targeting public officials who acquire unexplained wealth) and crimes of receiving money contrary to Law No. 146 of 1988 (Law regarding Companies Receiving Funds for Investment). Individuals acting as financial intermediaries, such as lawyers, accountants, and cash couriers, are not currently subject to AML controls, although EMLCU officials have indicated that the law will soon be amended to cover the activities of these individuals.

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 GOE extended its original counter-terrorism law, an emergency law enacted in 1981, until the spring of 2010. The GOE is working on a new comprehensive law that will reportedly include specific measures against terrorist financing. Currently, Article 86 of the Egyptian Penal Code criminalizes the financing of terrorism.

Know-your-customer rules: Yes

Know your customer (KYC) regulations have been issued by the Egyptian financial intelligence unit (FIU) for banks supervised by the Central Bank of Egypt, the Post office, insurance companies, securities firms, leasing companies, factoring companies, mortgage finance companies, foreign exchange companies and money transfer companies. Numbered or anonymous accounts are prohibited. These regulations implement the AML Law, and supervisors can use their powers to impose administrative sanctions where violations are identified.

Bank records retention: Yes

Under the AML Law, banks are required to keep all records for five years. The Central Bank also has issued an instruction to banks requiring them to examine large transactions.

Suspicious transaction reporting: Yes

The Egyptian Money Laundering Combating Unit (EMLCU), Egypt's FIU, has the full legal authority to examine and analyze all suspicious transaction reports (STRs). Reporting of suspicious transactions is required by all banks and non-bank financial institutions. The AML Law provides the authority, by Prime Ministerial Decree, to add businesses to the list of entities subject to the requirements of the Law, including the reporting of suspicious transactions. Real estate brokers and dealers of precious metals and stones were brought under coverage by Prime Minister's Decree 2676 of 2008, and are now subject to the record keeping, reporting and other requirements of the AML Law. In the first six months of 2008, 275 STRs were filed and three were forwarded to the Public Prosecutor. For the size and nature of the economy and the information available about the nature and character of crime in Egypt, the overall numbers of STRs and overall effectiveness of the program is low.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture: Yes

Although the AML Law does not specifically allow for seizure and confiscation of assets from money laundering, the penal code authorizes seizure of assets related to predicate crimes, including terrorism. All assets are subject to seizure, including moveable and immoveable property, rights and businesses. Assets can only be seized with an order from the Public Prosecutor, and the agency responsible for seizing the assets depends on the predicate crime. Typically, the Central Bank seizes cash and the Ministry of Justice seizes real assets.

Narcotics asset sharing authority: Yes

Confiscated assets are given to the Ministry of Finance, and the executive regulations of the AML Law allow for sharing of confiscated assets with other governments. The Public Prosecutor's office is

currently engaged in negotiations to enhance cooperation with other governments on asset seizure and confiscation.

Cross-border currency transportation requirements: Yes

The threshold for declaring foreign currency at borders is $10,000 or the equivalent in other currencies. The declaration requirement applies to travelers leaving as well as entering the country. However, enforcement of this provision is not consistent. Authorities claim that the terrorist attacks of the past several years have given extra impetus to law enforcement agencies to thoroughly scrutinize currency imports/exports. Egyptian Customs Authorities now pass all reports of foreign currency declarations at the border to the EMLCU and also alert the European Union border guards of individuals crossing the border with large amounts of cash.

Cooperation with foreign governments:

Because of its historical problems with domestic terrorism, the GOE has sought closer international cooperation to counter terrorism and terrorist financing. The GOE has shown a willingness to cooperate with foreign authorities in criminal investigations related to terrorism or narcotics. Egypt also provides legal and judicial assistance and extradition on the basis of either the principle of reciprocity or international comity or "courtesy" (Article 18 of the AML Law).

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Although money laundering investigations are conducted by law enforcement agencies, the principal authority in the investigation of both money laundering and terrorist financing is the Supreme State Security Prosecution Office (SPO). The Public Prosecutor's office controls the primary conduct of investigations, provisional measures and confiscation action. Similarly cross border interdiction of cash and negotiable instruments, while the responsibility of the Customs Authority, is sent to the Public Prosecution office for decision as to any further action. Although accurate and current law enforcement statistics are difficult to obtain, it is believed the number of successful investigations, prosecutions, and convictions for money laundering is low.

Informal remittance is a potential means for laundering, but Egyptian authorities claim these systems are not a large phenomenon in Egypt, and therefore, do not monitor or regulate them. Due to lack of regulation and investigations, it is unclear if and to what extent money laundering is actually occurring through these systems. Expatriate Egyptian workers sometimes use informal underground remittance systems due to cost and lack of access to official banking procedures. The latest figures from the Central Bank indicate that overseas workers remitted approximately $7.8 billion in fiscal year 2008-2009.

The Central Bank circulates to all financial institutions the names of suspected terrorists 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.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

The United States and Egypt have a Mutual Legal Assistance Treaty. Law enforcement cooperation in the area of financial crimes is good. The EMLCU is able to exchange information with the Financial Crimes Enforcement Network.

International agreements:

The GOE has entered into a number of bilateral agreements and mutual legal assistance treaties. Egypt also has agreements for cooperation on money laundering issues with the UK, Romania, Zimbabwe, Russia, and Peru.

Egypt 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

Egypt is a founding member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:
http://www.menafatf.org/images/UploadFiles/MER_Egypt_ForPublication.pdf

Recommendations:

The Government of Egypt (GOE) will not have a successful anti-money laundering/counter-terrorist financing regime until it has successful prosecutions and convictions commensurate with the size and nature of its economy and the nature and character of crime in Egypt. Improved investigative capacity in financial crimes is a prerequisite. Egypt should consider ways of improving the EMLCU's feedback on STRs to reporting institutions. It should improve its enforcement of cross-border currency controls, specifically allowing for seizure of suspicious cross-border currency transfers. Egyptian law enforcement and customs authorities should examine and investigate trade-based money laundering, alternative remittance systems, and customs fraud. The GOE should ensure its updated law against terrorism specifically addresses the threat of terrorist financing, including asset identification, seizure and forfeiture. The GOE should seek to strengthen its use of forfeiture in both money laundering and predicate crimes.

El Salvador

Located on the Pacific coast of the Central American isthmus, El Salvador has one of the largest and most developed banking systems in Central America. The growth of El Salvador's financial sector, the increase in narcotics trafficking, the large volume of remittances through the formal financial sector and alternative remittance systems, and the use of the US dollar as legal tender make El Salvador vulnerable to money laundering. From January to August of 2009, approximately $2.8 billion in remittances were sent to El Salvador through the financial system. The quantity of additional remittances to El Salvador via other methods is not known. The Central America Four Agreement between El Salvador, Guatemala, Honduras, and Nicaragua allows for free movement of the citizens of these countries across their respective borders without passing through immigration or customs inspection. As such, the agreement represents a vulnerability to each country for the cross-border movement of contraband and illicit proceeds of crime. Most money laundering is conducted by international criminal organizations. These organizations use bank and wire transfers from the United States to disguise criminal revenues as legitimate remittances to El Salvador. The false remittances are collected and transferred to other financial institutions until sufficiently laundered for use by the source of the criminal enterprise, usually a narcotics trafficking organization.

Offshore Center:

No information available.

Free Trade Zones:

No information available.

Criminalizes narcotics money laundering: Yes

Decree 498 of the 1998 "Law Against the Laundering of Money and Assets," criminalizes money laundering related to narcotics trafficking.

Criminalizes other money laundering, including terrorism-related: Yes

Decree 498 also criminalizes money laundering related to other serious crimes, including trafficking in persons, kidnapping, extortion, illicit enrichment, embezzlement and contraband.

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 Government of El Salvador (GOES) passed counter-terrorism legislation, Decree 108, in September 2006. Decree 108 further defines acts of terrorism and establishes tougher penalties for the execution of those acts. Article 29 of Decree 108 establishes the financing of terrorism as a criminal offense. The law also grants the GOES the legal authority to freeze and seize assets associated with terrorists and terrorism. However, there are shortcomings in the legislation.

Know-your-customer rules: Yes

Under Decree 498, financial institutions must identify their customers.

Bank records retention: Yes

Decree 498 mandates that obligated entities maintain records for a minimum of five years.

Suspicious transaction reporting: Yes

Decree 498 establishes the Unidad de Inteligencia Financiera (UIF), the financial intelligence unit (FIU). Obligated entities are required to file suspicious transaction reports (STRs) with the FIU. These entities include banks, finance companies, exchange houses, stock exchanges and exchange brokers, commodity exchanges, insurance companies, credit card companies, casinos, dealers in precious metals and stones, real estate agents, travel agencies, the postal service, construction companies, and the hotel industry.

Large currency transaction reporting:

Decree 498 mandates that all currency transactions exceeding approximately $57,000 or its equivalent must be reported to the FIU.

Narcotics asset seizure and forfeiture: Yes

The GOES has established systems for identifying, tracing, freezing, seizing, and forfeiting narcotics-related and other assets of serious crimes. Salvadoran law currently provides only for the judicial forfeiture of assets upon conviction, and not for civil or administrative forfeiture. A draft law to reform Decree 498 to provide for civil forfeiture of assets, currently in the national legislature, has run into resistance from businessmen and others who are fearful that a civil asset forfeiture regime could lead to a crackdown on tax evaders, or possibly be misused for political purposes.

Narcotics asset sharing authority: No

No legal mechanism exists to share seized assets with other countries.

Cross-border currency transportation requirements:

Decree 498 requires all incoming travelers to declare the value of goods, cash, or monetary instruments they are carrying in excess of approximately $11,400. Falsehood, omission, or inaccuracy on such a declaration is grounds for retention of the goods, cash, or monetary instruments, and the initiation of criminal proceedings. If following the end of a 30-day period the traveler has not proved the legal origin

of the currency and property, the Salvadoran Government has the authority to confiscate the assets. In 2009, the GOES confiscated $938,845 in undeclared cash from travelers transiting Comalapa International Airport and international land border crossings adjacent to Honduras and Guatemala.

Cooperation with foreign governments:

The GOES has cooperated with foreign governments in financial investigations related to narcotics, money laundering, terrorism, terrorist financing and other serious crimes. Salvadoran law does not require the FIU to sign agreements to share or provide information to other countries.

U.S. or international sanctions or penalties:

On June 5, 2009, the Egmont Group of FIUs formally suspended El Salvador because the country lacks adequate terrorist financing legislation.

Enforcement and implementation issues and comments:

In 2009, the FIU undertook a total of 15 investigations of suspected money laundering and/or financial crime. The Attorney General's office indicates it brought six money laundering cases to trial, and obtained three convictions. The FIU froze a total of $819,000 in funds suspected of being related to money laundering. In subsequent judicial proceedings, however, the presiding judges opted to return all of the seized funds to the purported owners.

The UIF appears to be underused, and lacks institutional direction and analytical and investigative capacity. Because of its suspension from the Egmont Group, the UIF cannot exchange information with its counterparts through the Egmont Secure Web. Despite demonstrating a greater commitment to pursue financial crimes, the GOES still lacks sufficient prosecutorial and police resources to adequately investigate and prosecute financial crimes.

The GOES has circulated the names of suspected terrorists and terrorist organizations listed on the United Nations (UN) 1267 Sanctions Committee consolidated list to financial institutions. These institutions are required to search for any assets related to the individuals and entities on the consolidated list.

U.S.-related currency transactions:

The US dollar is legal tender in El Salvador. The US dollar is also the currency of choice in the illicit economy.

Records exchange mechanism with U.S.:

There is cooperation on a variety of law enforcement and financial crimes matters on a case-by-case basis. For example, the GOES worked with the USG to complete the extradition of a fugitive financier apprehended in Miami, Florida. He was subsequently extradited to El Salvador in October 2009.

International agreements:

El Salvador is a party to the Treaty of Mutual Legal Assistance in Criminal Matters signed by the Republics of Costa Rica, Honduras, Guatemala, Nicaragua, and Panama. El Salvador has signed several agreements of cooperation with financial supervisors from other countries to facilitate the exchange of supervisory information, including permitting on-site examinations of banks and trust companies operating in El Salvador.

El Salvador 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

El Salvador is a member of the OAS Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering, and the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here: http://www.cfatf-gafic.org/mutual-evaluation-reports.html

Recommendations:

El Salvador must strengthen its ability to investigate and prosecute financial crime and terrorist financing, and improve its mechanisms for seizing and sharing assets. The Government of El Salvador should ensure the passage of the civil asset forfeiture legislation that is currently under consideration by the legislature. Remittances remain an important sector of the Salvadoran economy and as such should be far more carefully supervised. The GOES should improve supervision of cash couriers and wire transfers and enact legislation requiring supervision of nongovernmental organizations to comport with international counter-terrorism financing standards. The GOES also should ensure sufficient resources are provided to the Attorney General's office as well as to the financial crime and narcotics divisions of the National Civilian Police. In addition, the GOES should amend its terrorist financing law and work to restore its good standing in the Egmont Group.

Equatorial Guinea

Equatorial Guinea (EG) is not a major regional financial center. Implementation of its anti-money laundering laws is not complete, and EG is still vulnerable to money laundering and terrorist financing. EG's greatest concern in terms of money laundering and terrorist financing is cross-border currency transactions and the illegal international transfer of money by companies. Equatorial Guinea is a member of the Economic and Monetary Community of Central African States (CEMAC), and shares a regional Central Bank (BEAC) with other CEMAC members. The Government of EG also is a member of the Banking Commission of Central African States (COBAC) within CEMAC.

Offshore Center:

No information available.

Free Trade Zones:

No information available.

Criminalizes narcotics money laundering:

No information available.

Criminalizes other money laundering, including terrorism-related:

CEMAC member countries formed the Central African Action Group Against Money Laundering (GABAC) to draft a common anti-money laundering law for all CEMAC countries. The regulations are supranational and enforceable in all member states without specific legislation in each country. In 2007, EG adopted an anti-corruption law criminalizing the diversion and misappropriation of funds; the legislation also governs funds involved in money-laundering and terrorist financing. Money laundering and other financial crimes are criminal offenses in EG.

Criminalizes terrorist financing:

(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/)

No information available.

Know-your-customer rules:

COBAC and GABAC have established procedures requiring banks to record and report the identity of customers engaging in large transactions.

Bank records retention:

Banks must keep records of the transactions for which they must identify customers for at least five and up to ten years.

Suspicious transaction reporting:

No information available.

Large currency transaction reporting:

Transfers exceeding €5000 (approximately $7,000) to bank accounts outside EG require the permission of the government regulator and transfers through agencies such as Western Union or Money Gram exceeding CFA 1,500,000 (approximately $3,500) require the permission of the Ministry of Finance.

Narcotics asset seizure and forfeiture:

No information available.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements:

No information available.

Cooperation with foreign governments (including refusals):

No information available.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

To date, there have been no arrests in EG related to financial crimes.

COBAC is also responsible for circulating to its financial institutions a list of individuals and entities on the UN 1267 Sanctions Committee's consolidated list, or other groups identified by the United States or the European Union.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

No information available.

International agreements:

Equatorial Guinea 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 - No
- the UN Convention against Corruption - No

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

Recommendations:

The Government of Equatorial Guinea should work with the CEMAC and BEAC to establish a viable anti-money laundering/counter-terrorist financing regime. The EG should become a party to the 1988 UN Drug Convention and the UN Convention against Corruption.

Estonia

Estonia has one of the most transparent, developed banking systems of the new European Union (EU) countries. Estonia has adopted the universal banking model, which enables credit institutions to participate in a variety of activities such as leasing, insurance, and securities. Transnational and organized crime groups are attracted to the territory due to its location between Eastern & Western Europe. Analysis of suspicious transaction reports (STRs) discloses incidents of transferring the proceeds of Internet crime to Estonia. There have been no reports of terrorist financing in Estonia.

Offshore Center: No

Free Trade Zones: Yes

There are three free trade zones (FTZs) in Estonia—at the ports of Muuga and Sillamae and on the border with Latvia. In the FTZs, VAT and excise duties do not have to be paid on goods imported and later exported. The main supervisory authority responsible for monitoring and checking the movement of goods in the FTZs is the Estonian Tax and Customs Board (ETCB). There are strict identification requirements for companies and individuals using tax free zones. There is no known evidence trade-based money laundering schemes or financiers of terrorism are active in these zones.

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

Money laundering was added as a criminal offense to the Criminal Code in 1999, at the same time the Money Laundering Prevention Act (MLPA) came into force. Amendments to the MLPA and Penal Code (which replaced the Criminal Code) that took effect in September 2002 made money laundering committed by a legal entity a crime.

In 2008, the Government of Estonia (GOE) enacted the Money Laundering and Terrorism Financing Prevention Act (MLTFPA). The MLTFPA introduced substantial changes such as the expansion of the definitions of money laundering and financial institutions. Designated non-financial businesses and professions are now covered under the law. The MLTFPA harmonizes Estonian law with the EU third directive on money laundering (2005/60/EC) and its implementing directive 2006/70/EC.

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 Penal Code was amended in 2007 to make terrorist financing a distinct criminal offense. In 2009 an amendment was made to the Penal Code criminalizing the financing and support of acts of terrorism.

Know-your-customer rules: Yes

According to the MLTFPA, all covered entities and persons are obligated to apply due diligence measures. These include identification and verification of the natural and legal persons participating in a transaction; identification of the beneficial owner; and acquisition of information about the purpose and nature of the business relationship and transaction.

Bank records retention: Yes

Under the MLTFPA, an obligated person shall preserve copies of the documents identifying and verifying a person as well as copies of the documents establishing the business relationship for no less than five years after termination of the business relationship. Further the MLTFPA stipulates that an obligated

person shall preserve the documents on reportable transactions and the documents serving as the basis for notifying the financial intelligence unit (FIU) for no less than five years after conclusion of the transaction or FIU notification.

Suspicious transaction reporting: Yes

The MLTFPA considerably expands the list of obligated persons, including all credit and financial institutions. Estonia's legislation requires all obligated persons to immediately notify the FIU about any activity or circumstance which may be an indication of money laundering or terrorist financing, or if the obligated person has a reason to suspect that money laundering has occurred. In 2008 the FIU received 13,861 STRs. Through September 2009, the FIU received a total of 23,802 STRs; 1,158 STRs related to suspected terrorist financing.

Large currency transaction reporting: Yes

All obligated entities, except for credit institutions, must notify the FIU of any cash transactions which exceed 500,000 EEK (approximately $50,000) or an equal amount in another currency. The same notification requirement applies to credit institutions unless the credit institution has a business relationship with the person participating in the transaction.

Narcotics asset seizure and forfeiture:

The Estonian penal code establishes asset seizure and forfeiture, with special provisions for money laundering. In 2007, Estonia established an Asset Recovery Unit under the FIU to concentrate on organized crimes, detecting criminal assets from serious crimes and identifying criminal assets transferred to foreign countries.

Narcotics asset sharing authority: Yes

Estonia allows asset sharing with cooperative foreign jurisdictions.

Cross-border currency transportation requirements: Yes

Estonia is member of the EU. There are mandatory currency declarations for those natural persons entering or departing the European community and transporting euros 10,000 or more (approximately $13,700). There are no reporting requirements when crossing the border to or from another EU member country.

Cooperation with foreign governments:

As most suspicious transactions are Russia-related, in 2008 a memorandum of understanding was signed between the Estonian Financial Supervision Authority and Russian Central Bank providing a legal framework for closer cooperation between these two countries. In August 2000, Estonia ratified the Council of Europe Convention on Laundering, Search, Seizure, and Confiscation of the Proceeds of Crime. In October 2001, the GOE signed a cooperation agreement with Europol.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

The FIU is operationally independent; however the FIU does not possess budgetary independence.

As of September 2009, Estonian courts convicted a total of six individuals for money laundering.

The GOE has circulated among its financial institutions the list of individuals and entities included on the UN 1267 sanctions committee's consolidated list. To date, no related assets have been identified.

U.S.-related currency transactions:

There are no indications that currency transactions in Estonia involving international narcotics trafficking proceeds 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.

Records exchange mechanism with U.S.:

A mutual legal assistant treaty is in force between the United States and Estonia and, on April 7, 2009, a new extradition treaty between the United States and the GOE came into force.

International agreements:

Estonia 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 ratification law of the UN Convention against Corruption passed its first reading in the Parliament in October 2009.

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

http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round3/MONEYVAL%282008%2932Rep-EST3_en.pdf

Recommendations:

The Government of Estonia has a comprehensive anti-money laundering/counter-terrorist financing regime that comports with international standards. The GOE should continue to enhance its legislation and procedures as necessary. The GOE should provide budgetary independence for its FIU and consider extending the large currency transaction reporting requirement to credit institutions regardless of the nature of the relationship with the person conducting the transaction.

Ethiopia

Due primarily to its archaic financial systems and pervasive government controls, Ethiopia is not considered to be a regional financial center. Ethiopia's location within the Horn of Africa region makes it vulnerable to money laundering-related activities perpetrated by transnational criminal organizations, terrorists, and narcotics trafficking organizations. Sources of illegal proceeds include smuggling; trafficking in narcotics, persons, arms, and animal products; and corruption. As the economy grows and becomes more liberalized, federal police investigation sources report expectations that bank fraud, electronic/computer crimes and money laundering activities will continue to rise.

Offshore Center: No

Free Trade Zones: None.

Criminalizes narcotics money laundering:

Approved in May 2005, article 684 of Ethiopia's Criminal Code criminalizes money laundering. Under Article 684(1), an offender could be criminally liable either for both the predicate acts and money laundering offenses or for the principal criminal act.

Criminalizes other money laundering, including terrorism-related: Yes

On November 16, 2009, the Ethiopian parliament passed a Prevention and Suppression of Money Laundering and Financing of Terrorism proclamation. The bill entered into effect on December 16, 2009. This legislation includes a provision mandating the establishment of a financial intelligence unit (FIU).

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/)

See above. The National Bank of Ethiopia (NBE) has the authority to identify, freeze, and seize terrorist finance-related assets, and it has done so in the past.

Know-your-customer rules:

Banks keep general customer information, but there are no formal know-your-customer directives in effect.

Bank records retention:

Most banks retain records for ten years.

Suspicious transaction reporting: No

Although the NBE mandates that banks report suspicious transactions, most records and communications are not yet computerized and record-keeping of individual transactions is spotty and limited. NBE has not yet established clear, specific regulations dictating transaction accountability or transparency safeguards, nor has it established thresholds for suspicious transactions which must be reported.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture:

The new 2009 anti-money laundering (AML) legislation provides for asset freezing and seizure.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: No

Foreign exchange controls limit possession of foreign currency, but you must be in possession of proper documentation proving the legitimate source of the foreign currency. The government has periodically seized illegal quantities of foreign currency carried by travelers at Bole International Airport.

Cooperation with foreign governments:

The 2009 AML legislation provides for judicial cooperation with foreign governments in investigations, to include seizure of assets involved in foreign crimes.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

There have been no significant arrests for money laundering or terrorist financing in 2009.

The lack of data and systematic study make it difficult for the Federal Police to identify trends in money laundering. Further, inadequate police training and lack of resources significantly diminish their investigative abilities. Federal Police investigative sources indicate that alternative remittance systems, particularly hawala, are widely used. The GOE has closed a number of illegal hawala operations and attempts to monitor hawala networks within the country.

Since government foreign exchange controls limit possession of foreign currency, most of the proceeds of contraband smuggling and other crimes are not laundered through the official banking system. High

tariffs also encourage customs fraud and trade-related money laundering. Strict foreign exchange controls encourage the use of hawala, and trade manipulation is often used between hawaladars to effect counter-valuation or a means of balancing books.

NBE routinely circulates to its financial institutions the names of suspected terrorists and terrorist organizations listed on the UN 1267 Sanctions Committee's consolidated list. During the period from 2007-2009 no assets linked to these persons or entities have been identified.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

No information available.

International agreements:

Ethiopia 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

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

Recommendations:

The Government of Ethiopia should expeditiously assign resources to the new FIU, so it can begin to draft specific anti-money laundering/counter-terrorist financing directives take steps to comply with international standards and Egmont Group membership requirements. Adequate resources should be given to police the country's porous borders. Ethiopia should become a party to the UN Convention against Transnational Organized Crime and the UN Convention for the Suppression of the Financing of Terrorism.

Fiji

Fiji is a small country with a population of less than 1 million. It is not a regional financial center. Fiji enjoys a relatively low level of crime. The country's geographical location makes it a convenient potential staging post for Australia and New Zealand. This has been demonstrated by some significant drug related cases and a noted increase in the number of human smuggling cases. Cross-border crime gangs involving individuals from neighboring Asian countries are operating within Fiji.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

The Government of Fiji (GOF) criminalizes money laundering via the Proceeds of Crime Act 1997 (POCA), as amended in 2004; the Mutual Assistance in Criminal Matters Act 1997, as amended in 2004; and the Financial Transactions Reporting Act of 2004 (FTRA); and implementing regulations of 2006. Fiji legislation takes an "all serious crimes" approach regarding predicate offenses, including terrorist financing. Section 3 of the POCA defines as a serious offense any offense for which the maximum prescribed penalty by law is imprisonment for not less than six months or a fine of not less than $500.

Criminalizes terrorist financing:

The POCA criminalizes terrorist financing and introduces several provisions to deal with restraining and forfeiting terrorist property.

Know-your-customer rules: Yes

Customer due diligence measures are contained within Fiji's Financial Transactions Reporting Regulations (2006).

Bank records retention: Yes

Obligated entities must retain records for seven years from the date of obtaining information about a customer's identity, any transaction or correspondence, and account closing.

Suspicious transaction reporting: Yes

Banks and other obligated entities, including foreign exchange dealers, money remittance service providers, law firms, real estate agencies, and accountants must file suspicious transaction reports (STRs) with Fiji's financial intelligence unit (FIU). The FIU has operational independence, but is administered financially by the Reserve Bank of Fiji. There is no information available on STR filings for 2008 and 2009.

Large currency transaction reporting: Yes

There is a $10,000 cash transaction reporting requirement.

Narcotics asset seizure and forfeiture: Yes

The POCA provides the main legal framework for identifying, tracing, freezing/seizing and confiscating the proceeds of crime. In addition, there are confiscation/forfeiture provisions in various statutes that relate to specific offenses. The law allows both civil and criminal forfeiture.

Narcotics asset sharing authority: No

Cross-border currency transportation requirements: Yes

Part 5 of the FTRA came into force on January 1, 2008. Pursuant to the FTRA, all travelers into and out of Fiji are required to declare to customs officers, at point of entry and departure, if they are carrying currency or negotiable bearer instruments of $10,000 or more or its equivalent in foreign currency. Customs and authorized officers now have authority to seize and detain currency or negotiable bearer instruments carried by travelers, which they reasonably suspect to be related to a serious offense, terrorist financing or money laundering, or when the travelers make a false declaration to authorities.

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:

The FIU does not have budgetary independence.

Fiji has circulated to its financial institutions the list of individuals and entities included on the UN 1267 sanctions committee's consolidated list.

U.S.-related currency transactions:

There are no indications that currency transactions in Fiji involve 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.

Records exchange mechanism with U.S.:

The Fiji FIU is able to exchange information with the Financial Crimes Enforcement Network.

International agreements:

Fiji became a member of the Egmont Group of FIUs in May 2009, and signed a cooperation agreement with its Indonesian counterpart in July 2009.

Fiji 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

Fiji is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here: http://www.apgml.org/documents/docs/17/Fiji%20DAR%20Final.pdf

Recommendations:

Fiji should continue to implement anti-money laundering and counter-terrorist financing measures that adhere to international standards.

Finland

Finland is not a regional center for money laundering, financial crime or illegal commerce. Over the past decade, Finland repeatedly has placed first or second on Transparency International's Corruption Perceptions Index (CPI); in 2009, Finland ranked sixth on the list. The major sources of illegal proceeds in Finland relate to financial crimes and the majority of suspicious financial activities investigated have an international dimension. These funds are normally laundered through currency exchangers and gambling establishments. The number of organized crime groups has grown slightly in the past few years, as has the number of their members. Terrorism related fund-raising, to the extent it exists, appears to be less of a problem than in other European countries.

Offshore Center: No

Free Trade Zones: Yes
Finland has four Free Zones and four Free Warehouse areas. The four designated Free Zones are located in Hanko, Hamina, Lappeenranta, and Turku. The four Free Warehouses are located in Helsinki, Naantali, Kemi, and Oulu. In Finland, the duty-free free zone and warehouse licenses have, in most cases, been granted to municipalities or cities; however, one or several commercial operators, approved by the customs districts, are usually in charge of warehousing operations within the area. Finnish free zones often serve as transit points for shipments of goods to and from Russia. Many goods originating in East Asia and destined for St. Petersburg or Moscow are transported via the Lappeenranta Free Zone.

Criminalizes narcotics money laundering: Yes
See below.

Criminalizes other money laundering, including terrorism-related: Yes
In 1994, Finland enacted legislation criminalizing money laundering related to all serious crimes. Amendments to the Penal Code and the Money Laundering Act in 2003 broaden the definition of money laundering to include, *inter alia*, negligence and terrorist financing.

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 Penal Code of Finland was amended at the end of 2002 with the addition of a new chapter on terrorism (Chapter 34 a). According to Section 5 of the amendment, a person who directly or indirectly provides or collects funds in order to finance a terrorist act, or who is aware that the funds shall finance a terrorist act, commits a punishable offense. The Act on Preventing and Clearing Money Laundering and Funding of Terrorism (503/2008) (ML/TF Act) came into force on August 1, 2008, criminalizing planning and support for terrorism.

Know-your-customer rules: Yes
Under the 1998 Act of Preventing and Clearing Money Laundering (MLA) a covered party must identify customers and exercise due diligence. A covered party must identify the client and verify the client's identity when establishing a permanent client relationship or if the value of an occasional transaction or related transactions exceeds 15,000 euro (approximately $20,400); customers conducting occasional wire transfers must be identified when the transfer of funds is made with cash and the individual amount exceeds 1,000 euros (approximately $1,340). If someone acts as an agent on behalf of the actual client, the agent must be identified and his/her identity verified in addition to that of the beneficial owner. Enhanced due diligence measures are applied to politically exposed persons, their family members and close business partners.

Bank records retention: Yes
Banks/financial institutions are required to maintain records that could be used in a financial investigation for five years. In practice (and according to accounting regulations), these records are kept for at least seven years.

Suspicious transaction reporting: Yes
The MLA compels credit and financial institutions, investment and fund management companies, insurance brokers and insurance companies, real estate agents, pawn shops, betting services, casinos, and most non-bank financial institutions to file suspicious transaction reports (STRs) to Finland's financial intelligence unit (FIU). Subsequent amendments to the MLA add management companies, custodians of mutual funds, apartment rental agencies, auditors, auctioneers, lawyers, accountants, and dealers in high value goods as covered entities. Also included are businesses and professions that perform other payment transfers, such as hawala. The ML/TF Act adds tax advisory and financial management services, repossession agents and bankruptcy ombudsmen. From January to June 2009, the FIU received 13,386 STRs, of which nine were suspected terrorist financing; in the same time frame, 757 STRs resulted in criminal investigations.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture:
Finnish authorities do not have national authority to permanently suspend transactions or forfeit assets independent of a judicial process. According to the Penal Code, the proceeds of crime shall be given to the injured party. If a claim for compensation or restitution has not been filed, Finnish authorities can order forfeiture. With some exceptions, only the proceeds of a crime can be forfeited. Legitimate businesses can be seized if used to launder drug money or support terrorist activity. The FIU has the ability to freeze a transaction for up to five business days in order to determine the legitimacy of the funds. Funds can remain frozen for an extended period when linked to a criminal investigation. According to the Coercive Measures Act, all restraining and freezing orders must be presented to the court every four months. A new order can be given for a "reasonable time," but it is yet unclear how long that time can ultimately be. From January to June 2009, the FIU issued five orders to freeze

assets/suspend transactions with a total value of $181,692. With these orders, the FIU recovered $82,041 of criminal proceeds.

Narcotics asset sharing authority:
Finland has enacted laws for the sharing of seized narcotics assets, as well as the assets from other serious crimes, with other governments.

Cross-border currency transportation requirements:
As of June 15, 2007, Finland implemented the European Union (EU) regulation on controls of cash being transported over the EU Community Border. According to the regulation (EC 1889/2005), persons carrying 10,000 euros (approximately $13,400) or more will be required to declare cash upon entering or leaving EU territory.

Cooperation with foreign governments:
Finland ratified the 1959 European Convention on Mutual Legal Assistance in Criminal Matters and its 1978 Additional Protocol. Finland and Russia signed an agreement on cooperation in fighting drug trafficking in October 2008. In January 2008, Finland and Estonia signed an agreement aimed at closer cooperation between law enforcement authorities to fight organized crime. Additionally, Finland has concluded numerous other bilateral law enforcement cooperation agreements. Finland does not have a national mechanism to give effect to requests for freezing assets and designations from other jurisdictions.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:
A working group was appointed by the Ministry for Foreign Affairs in February 2008 to study the possibility of establishing an administrative system for freezing terrorists' funds separately from the criminal investigative system. This working group concluded in February 2009 that Finnish authorities on the whole have good means for freezing terrorists' funds found to be in a Finnish financial institution. Finland has not, to date, conducted any terrorist financing investigations or prosecutions.

U.S.-related currency transactions:
There have been no reports of Finland's financial institutions engaging in currency transactions involving international narcotics trafficking proceeds that include significant amounts of United States currency or currency derived from illegal drug sales in the United States.

Records exchange mechanism with U.S.:
The U.S. and Finland signed a bilateral extradition and mutual legal assistance treaty (MLAT) in December 2004**.** The U.S. and the EU signed bilateral extraditions and mutual legal assistance (MLAT) treaties in December 2003. The Finnish Parliament ratified the agreements (HE 86/2005) and approved the necessary implementing bilateral instruments in December 2007. In December 1990, TIAS 12101, a convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital, entered into force between Finland and the U.S. Finland has also concluded a customs mutual assistance agreement with the United States.

International agreements:
Finland has, in conjunction with the other Nordic Countries, prepared and concluded treaties with certain offshore financial centers concerning the exchange of information on tax related matters. The treaties are part of the tax haven project, set out by The Nordic Council of Ministers. Finland has signed bilateral treaties on information exchange and taxation with Gibraltar (October 2009), Aruba and Netherlands Antilles (September 2009), British Virgin Islands (May 2009), Bermuda and Cayman Islands (April 2009), Jersey and Guernsey (October 2008) and Isle of Man (October 2007). The FIU may exchange

information with other FIUs and with bodies engaged in criminal investigations. Although no Memorandum of Understanding (MOU) is required for this purpose under Finnish law, MOUs have been concluded with Albania, Belgium, Bulgaria, Canada, France, Indonesia, Israel, Latvia, Lithuania, Luxembourg, Poland, Romania , Russia, South Korea, Spain, Switzerland and Venezuela. MOU negotiations are going on with Belarus, Japan, Mexico, Peru, and Ukraine.
Finland 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

Finland is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/infobycountry/0,3380,en_32250379_32236963_1_70408_43383847_1_1,00.html

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

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.

Gabon

Gabon is not a regional financial center. The Bank of Central African States (BEAC), a regional Central Bank that serves six countries of Central Africa, supervises Gabon's banking system. The actual monitoring of financial transactions is conducted by the Economic Intervention Service that harmonizes the regulation of currency exchanges in the member States of the Central African Economic and Monetary Community (CEMAC).

Offshore Center:

No information available.

Free Trade Zones:

Gabon maintains a free trade zone (FTZ) that comprises a portion of the city of Port Gentil. The zone is utilized only rarely due to infrastructure issues and geographic remoteness. It is under the authority of an individual who enjoys a close family relationship to President Bongo.

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related:

The BEAC Board of Directors has approved anti-money laundering and counter-terrorist financing regulations that apply to banks, exchange houses, stock brokerages, casinos, insurance companies, and intermediaries such as lawyers and accountants in all six member countries. The BEAC regulations treat money laundering and terrorist financing as criminal offenses.

Criminalizes terrorist financing: See above

Know-your-customer rules: Yes

BEAC regulations require banks to record and report the identity of customers engaging in large transactions.

Bank records retention: Yes

Financial institutions must maintain records of large transactions for five years.

Suspicious transaction reporting:

BEAC regulations require financial institutions to file suspicious transaction reports (STRs).

Large currency transaction reporting:

The threshold for reporting large transactions has been set by the CEMAC Ministerial Committee at levels appropriate to each country's economic situation.

Narcotics asset seizure and forfeiture:

No information available.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: No

Cooperation with foreign governments:

Gabon cooperates well with other CEMAC members.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

In September 2005, Gabon created the Agence Nationale d'Investigation Financière (ANIF), a body designed to lead the fight against money laundering and terrorist financing. Though ANIF is now functional, it lacks the necessary resources (both human and financial) to be completely effective in its mission.

The judiciary remains inefficient and susceptible to inappropriate influence. Police inefficiency, corruption, and impunity remain serious problems. Additionally, official corruption is widespread. Oversight efforts to reign in corruption are weak, making it possible for public officials to exploit their positions for personal enrichment.

U.S.-related currency transactions:

There are no indications that currency transactions in Gabon involve international narcotics trafficking proceeds or 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.

Records exchange mechanism with U.S.:

No information available.

International agreements:

Gabon 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

Recommendations:

The Government of Gabon should work with the Bank of Central African States (BEAC) to establish a viable anti-money laundering/counter-terrorist financing regime.

Gambia

The Gambia is not a regional financial center, although it is a regional re-export center. Goods and capital are freely and legally traded in the Gambia, and, as is the case in other re-export centers, smuggling of goods occurs. Customs officials cooperate with counterparts in Senegal to combat smuggling along their common border, although The Gambia has limited capacity to fully monitor its porous borders. The lack of resources hinders law enforcement's ability to combat possible smuggling despite political will. Though money laundering is thought to take place on a small scale, The Gambia is not a known money laundering hub in the region. It is unknown to what extent laundering is related to narcotics proceeds. However, the rapid growth of banks in The Gambia is disconcerting.

Offshore Center:

No information available.

Free Trade Zones:

No information available.

Criminalizes narcotics money laundering: Yes

See below.

Criminalizes other money laundering, including terrorism-related:

In 2003, the Government of The Gambia (GOTG) passed the Money Laundering Act (MLA). The MLA states that money laundering is a criminal offense and establishes narcotics trafficking as well as blackmail, counterfeiting, extortion, false accounting, forgery, fraud, illegal deposit taking, robbery, terrorism, theft and insider trading as predicate offenses.

Criminalizes terrorist financing:

The Anti-Terrorism Act 2002 provides for measures to combat terrorism and criminalizes terrorist financing.

Know-your-customer rules: Yes

The MLA requires banks and other financial institutions to know, record, and report the identity of clients engaging in significant and/or suspicious transactions. In 2007, the Central Bank (CBG) distributed Customer Due Diligence manuals to the banks to increase awareness of suspicious transactions.

Bank records retention: Yes

The MLA requires banks to maintain records for at least six years.

Suspicious transaction reporting: Yes

Reports of suspicious transactions must be filed with the CBG, which created a standard format for suspicious transaction reports.

Large currency transaction reporting:

In 2007, the CBG also created a standard reporting format for large cash transaction reports. The current reporting threshold for cash transactions is $10,000.

Narcotics asset seizure and forfeiture:

The MLA empowers the GOTG to identify and freeze assets of a person suspected of committing a money laundering offense.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements:

The customs department is tasked with investigating when sums of money exceeding $10,000 are brought into the country. However, Customs officials have not been properly trained.

Cooperation with foreign governments:

The Gambia is a party to the Economic Community of West African States (ECOWAS) Protocol for the Mechanism for Conflict Prevention, Resolution, Management, Peace Keeping and Security. Among other things, this Protocol provides for close cooperation among member states in combating money laundering.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

The Gambia's financial intelligence unit (FIU) was established within the CBG's Financial Supervision Department and is not an independent entity. Officials have identified staffing and training issues as constraints to the effectiveness of the FIU in its first years of operation.

The CBG is unable to meet its desired examination schedule because of personnel constraints.

The CBG circulates lists of terrorists and terrorist entities designated by the USG under Executive Order 13224 among Gambian banks and other financial institutions, including insurance companies. There have been no arrests and/or prosecutions for money laundering or terrorist financing since 2003.

Only banks and insurance companies are currently subject to MLA requirements.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

No information available.

International agreements:

The Gambia 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 - No

The Gambia is a member of the Intergovernmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.giaba.org/index.php?type=c&id=24&mod=2&men=2

Recommendations:

The Government of The Gambia should examine its re-export sector to determine whether it is being used to launder criminal proceeds. The Gambia also should expand its anti-money laundering legislation to include a comprehensive range of predicate offenses and designated non-financial businesses and professions. The GOTG should provide adequate resources and capacity to its law enforcement,

supervisory and customs personnel so they are able to effectively fulfill their responsibilities. Its fledgling FIU should be given autonomy and should be strengthened both in terms of personnel and training to help it operate effectively. The GOTG should become a party to the UN International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Corruption.

Georgia

Georgia is not considered an important regional financial center, nor is it a money laundering center. The bulk of criminal proceeds laundered in Georgia are derived from domestic criminal activity, in most cases related to financial crimes, organized crime and corruption. A small portion of money laundering in Georgia is related to narcotics trafficking. According to the Georgian Financial Monitoring Service (FMS), most money laundering occurs in the formal financial sector through private banks. There is no evidence of terrorist financing in Georgia. Government authorities consider the number of financial crimes in Georgia to be decreasing. This does not include the territories of South Ossetia and Abkhazia, where little is known about the trend in money laundering.

Offshore Center:

Georgia is not considered an offshore financial center. There are no offshore casinos or internet gaming sites. However, the separatist regions of Abkhazia and South Ossetia are believed to act in some respects as offshore financial centers. The Government of Georgia (GOG) has de jure jurisdiction over these territories, but has had no de facto control since 1991.

Free Trade Zones: Yes

The adoption of the law on free industrial zones by the Georgian Parliament in July 2007, and establishment of rules for the creation, design and functioning of such zones by GOG Decree 131 of 2008 was followed by the creation of free industrial zones in Poti (GOG decree #72 of April 16, 2009) and in Kutaisi (GOG Decree #106 of June 5, 2009).

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

Money Laundering is criminalized in the Criminal Code of Georgia (Article 194) under the title Legalization of Illicit Income. In 2007, Georgia broadened the definition of illicit income to include illicit and/or other undocumented property in the ownership or possession of an individual. In March 2008, the Georgian Parliament criminalized simple possession, purchase, use or realization of laundered proceeds which requires the element of knowledge to be proven (Article 194, prima). Criminal liability of legal persons was introduced in the Criminal Code in August 2006.

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 2006, the Parliament passed an amendment to the Criminal Code (Article 331, prima), specifically criminalizing terrorist financing.

Know-your-customer rules: Yes

Georgian law requires customer identification for transactions that exceed 3,000 GEL (approximately $2,130) or are more than 1,500 GEL (approximately $1,050) and use a Society for Worldwide Interbank Financial Telecommunication (SWIFT) or similar system.

On February 24, 2009, the New Instruction on Opening Accounts in Banking Institutions of Georgia was approved under Decree #18 of the Head of the Financial Supervisory Agency of Georgia (FSA). The

Instruction defines types of bank accounts and includes lists of documents needed when opening bank accounts.

Bank records retention: Yes

Under Article 7 of the anti-money laundering law financial institutions are obligated to retain the information/documents on all transactions for a period of not less than six years. The provision includes all transactions and not only those subject to monitoring.

Suspicious transaction reporting: Yes

Obligated entities including banks, nonbank financial institutions, and designated non-financial businesses and professions, including casinos, are required to file suspicious transaction reports (STRs) with the FMS – the Georgian financial intelligence unit (FIU). Between January and December, 2009, 10,197 STRs were received by the FMS and eight were referred to law enforcement for investigation. Entities in South Ossetia and Abkhazia are non-compliant.

Large currency transaction reporting:

The threshold for reporting transactions is 30,000 GEL (approximately $17,960). In 2009, approximately 41,920 currency transaction reports (CTRs) were filed.

Narcotics asset seizure and forfeiture:

A forfeiture mechanism allows for the confiscation of illicit proceeds and instrumentalities of crime. Since July 2007, civil procedures of confiscation have been extended to legal persons as well. In 2009, 400,000 euros (approximately $540,540) were confiscated. The total amount frozen in 2009 was 1,738,200 euros (approximately $2,348,918).

Narcotics asset sharing authority:

Georgia has not completed asset sharing agreements with other countries, but cooperation is possible on a case-by-case basis.

Cross-border currency transportation requirements:

Customs authorities are tasked with monitoring cross-border movement of monetary units and valued items exceeding GEL 30,000 (approximately $17,700) or its equivalent in other currency, and forwarding this information to the FMS. Persons carrying items subject to monitoring have an obligation to fill out a customs declaration on their own initiative. Undeclared items are subject to confiscation.

Cooperation with foreign governments:

Under the anti-money laundering law, the FMS was given authority to conclude agreements with agencies of other countries regulating exchange of information and other issues in the field of money laundering and terrorism financing. It also has authority to exchange information without such agreements.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

In 2009 there were six indictments and one conviction for money laundering.

Because the legal regimes regulating banking in Abkhazia and South Ossetia are undeveloped, these jurisdictions are particularly vulnerable to being used by organized crime groups. The GOG has raised concerns about Abkhaz banks' alleged involvement in money laundering.

The FMS publishes lists of terrorists and persons supporting terrorism in the Georgian Legislative Bulletin, part IV, on a regular basis. Updates made by the UN 1267 Sanctions Committee are reflected in the list published by FMS. Georgia did not identify, freeze, seize, and/or forfeit related assets in 2009.

U.S.-related currency transactions:

There are no indications that currency transactions in Georgia involving international narcotics trafficking proceeds 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.

Records exchange mechanism with U.S.:

Georgia has excellent law enforcement cooperation with the U.S. although there is no official agreement with the U.S. on money laundering cooperation.

International agreements:

Georgia 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

Georgia is a member of MONEYVAL, a Financial Action Task Force-style regional body. The most recent mutual evaluation report can be found here:

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

Recommendations:

The Government of Georgia should continue to enhance its legislation and procedures, as appropriate.

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.

Ghana

Ghana is not a regional financial center, but as it develops economically, its financial sector is becoming more important regionally. Most of the money laundering in Ghana involves narcotics or public corruption. Ghana is a significant transshipment point for cocaine and heroin transiting from South America to Europe. Public corruption is a major source of money laundering in Ghana, occurring mainly through public procurements and the award of licenses. Police suspect that criminals use non-bank financial institutions, such as foreign exchange bureaus, to launder the proceeds of narcotics trafficking. Criminals also launder illicit proceeds through investment in banking, insurance, real estate, automotive import, and general import businesses, and reportedly, donations to religious institutions. Financial crimes such as advance fee fraud, known as Sakawa in Ghana, and stolen credit and ATM cards originating in Ghana continue to increase.

Informal financial activity accounts for about 45 percent of the total Ghanaian economy. Some traders import counterfeit goods or smuggle goods to evade taxes. In most cases the smugglers bring the goods into the country in small quantities, and Ghanaian authorities have no indication these smugglers have links to criminals who want to launder proceeds from narcotics or corruption. Trade-based money laundering is sometimes used to repatriate "profit" and also for payment of lower customs duties and other taxes.

Offshore Center: Yes

In September 2007, following amendments to the Banking Act six months earlier, Barclays Bank set up the first offshore banking facility in Ghana. Regulations governing domestic and offshore banks are largely similar. Both are required to perform customer due diligence and file suspicious transaction reports (STRs).

Free Trade Zones: Yes

Ghana has designated four free trade zone (FTZ) areas, but the Tema Export Processing Zone is currently the only active FTZ. Ghana also licenses factories outside the FTZ area as free zone companies. Free zone companies must export at least 70 percent of their output. Most of these companies produce garments and processed foods. The Ghana Free Zone Board and the immigration and customs authorities monitor these companies. There are identification requirements for companies, individuals, and their vehicles in the free zone; however, monitoring and due diligence procedures are lax.

Criminalizes narcotics money laundering: Yes

In January 2008 the Parliament passed Ghana's Anti-Money Laundering (AML) law. Accompanying regulations to the law have also been passed. The law identifies institutions subject to reporting and disclosure requirements; establishes customer identification and record keeping requirements; and institutes rules for required suspicious transaction reporting.

Criminalizes other money laundering, including terrorism-related: Yes

See above. The AML law takes an "all serious crimes" approach to predicate offenses 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/)

On July 18, 2008, Parliament passed the Anti-Terrorism Act. The law addresses terrorist acts, support for terrorist offenses, specific entities associated with acts of terrorism, and search, seizure, and forfeiture of property relating to acts of terrorism.

Know-your-customer rules:

The AML law establishes customer identification requirements. The "Guide to Account Opening" for banks provides checklists for use when opening accounts for individuals and legal entities. However, it appears requirements are insufficient in relation to obtaining information on the purpose and intended nature of the relationship or source of funds. There is no obligation for financial institutions to conduct ongoing due diligence on their customers

Bank records retention: Yes

Section 24 of the AML law requires customer identification and transaction records and STRs to be kept for a period of not less than six years after the date a transaction is concluded or the termination of the business relationship.

Suspicious transaction reporting:

Under Section 6 of the AML law, the Financial Intelligence Center (FIC) – the Ghanaian financial intelligence unit (FIU) – is given the mandate to receive, analyze, and disseminate STRs. The FIC has not been established. In the interim, it is believed that some STRs are being filed with the Bank of Ghana (BOG). There is no threshold for STR reporting.

Large currency transaction reporting:

Banks report to the BOG on a weekly basis transactions equal to or greater than the equivalent of $10,000. Under Section 33 and 34 of the AML law and the Foreign Exchange Act, 2007, the report can be filed with the BOG and the FIC.

Narcotics asset seizure and forfeiture:

The Narcotic Drug Law of 1990 provides for the forfeiture of assets upon conviction of a drug trafficking offense. The AML law has provisions for freezing assets but the FIC, not yet established, will be agency to implement them.

Narcotics asset sharing authority: No

Ghanaian law does not provide for the sharing of seized narcotics assets with other governments.

Cross-border currency transportation requirements: Yes

Ghana has a cross-border currency reporting requirement. However, Ghanaian authorities have difficulty monitoring cross-border movement of currency. In a 2008 operation, the national security office discovered that millions of dollars in repatriated foreign currencies has been entering Ghana through the Togo-Aflao border. An individual transports money from Ghana undeclared and then returns through the same border, but declares the money on the Foreign Exchange Declaration Form. This maneuver allows the individual to take the money out of Ghana legally. In a bid to curb this, the Bank of Ghana issued a directive effective October 20, 2008, stating that the highest sum of money permitted to be carried by an individual arriving in the country is $10,000 or its equivalent. However, the Bank of Ghana's instructions include a number of options and circumstances that conflict with the stated $10,000 limit, which has reportedly resulted in some confusion regarding the allowable amount for cross-border transportation vis-à-vis bank transfer.

Cooperation with foreign governments:

The Narcotic Drug Law of 1990 includes provisions for the sharing of information, documents, and records with other governments. It also provides a basis for extradition between Ghana and foreign countries for drug-related offenses.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

There are six law enforcement agencies involved with investigating money laundering and financial crimes. There were no arrests, prosecutions, or convictions for money laundering or terrorist financing in 2009.

While the Bank of Ghana has circulated the list of individuals and entities on the UNSCR 1267 Sanctions Committee's consolidated list to local banks, there is no procedure, guidance or regulation to guide financial institutions on how to implement the provisions of the Anti-Terrorism Act. No Ghanaian entities have identified assets belonging to any of the designees.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

Ghana has cooperated with the United States on financial crimes matters on a case-by-case basis.

International agreements:

Ghana has bilateral agreements for the exchange of money laundering-related information with a number of countries.

Ghana 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

Ghana is a member of the Inter-Governmental Action Group Against Money Laundering and Terrorist Financing in West Africa (GIABA), a Financial Action Task Force-style regional body. Ghana's most recent mutual evaluation report can be found here:

http://www.giaba.org/media/M_evalu/GHANA%20-MER%20-English-1%5B1%5D.pdf

Recommendations:

The Government of Ghana (GOG) should move swiftly to implement the AML and Anti-Terrorism laws. Ghana should improve capacity among the agencies impacted, and establish its FIU. The GOG should make every effort to pass asset seizure and forfeiture legislation that comports with international standards as soon as possible. Once the laws are in place, Ghana should take the necessary steps to promote public awareness and understanding of financial crime, money laundering and terrorist financing activities. Additionally, the GOG should institute a beneficial ownership identification requirement and require that the true names of all onshore and offshore entities and their beneficial owners be held in a registry accessible to law enforcement. The GOG should increase cooperation and information sharing with other governments. Ghana should also become a party to the UN Convention against Transnational Organized Crime.

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.

Grenada

Grenada is not a regional financial center. As a transit location, money laundering in Grenada is primarily related to smuggling and drug trafficking. Money laundering activity occurs through the banking system or money remitters, as well as the purchase of real estate, boats, jewelry, and cars.

Offshore Center: Yes

In 2008, the Government of Grenada (GOG) announced plans to redevelop an offshore financial sector. Grenada's previous offshore regime collapsed after a multimillion-dollar fraud scheme and its 2001 listing as a Non-Cooperative Country or Territory (NCCT) by the Financial Action Task Force (FATF). There are no offshore banks registered in Grenada, nor is there any evidence of money laundering taking place within the International Business Companies (IBCs) that are registered in the country. As of November 2008, Grenada had 1,580 international business companies (IBCs). The GOG has repealed its economic citizenship legislation.

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

The Money Laundering Prevention Act (MLPA), enacted in 1999, criminalizes the laundering of narcotics trafficking proceeds and all serious crimes.

Criminalizes other money laundering, including terrorism-related: Yes

Under the Proceeds of Crime Act No. 3 (POCA) of 2003, the predicate offenses for money laundering extend to all criminal conduct, which includes illicit drug and weapons trafficking, kidnapping, extortion, corruption, terrorism and its financing, and fraud. According to the POCA, no conviction on a predicate offense is required to prove that certain goods are the proceeds of crime. This legislation applies to banks and non-bank financial institutions, as well as the offshore sector.

Criminalizes terrorist financing: Yes

The GOG criminalizes terrorist financing through the Terrorism Act No. 5 2003.

Know-your-customer rules: Yes

Regulations require covered institutions to establish and maintain identification procedures.

Bearer shares are strictly prohibited from use in offshore banks, but they may be allowed for international companies. Registered agents are required by law to verify the identity of the beneficial owners of all shares. In addition, the International Companies Act requires registered agents to maintain records of the names and addresses of company directors and beneficial owners of all shares. There is no legal barrier to disclosure of client and ownership information by domestic and offshore services companies to bank supervisors and law enforcement authorities.

Bank records retention: Yes

Obligated entities must maintain records for seven years.

Suspicious transaction reporting: Yes

Banks and non-bank financial institutions (including money remitters, the stock exchange, insurance, casinos, precious gem dealers, real estate intermediaries, lawyers, notaries, and accountants) are required to report the identity of customers engaging in significant transactions; however, there is no statutory threshold. In addition, a reporting entity must monitor all complex, unusual or large business transactions, or unusual patterns of transactions, whether completed or not. Once a transaction is determined to be suspicious or potentially indicative of money laundering, the reporting entity must forward a suspicious transaction report (STR) to the Supervisory Authority within 14 days.

The Grenada financial intelligence unit (FIU) is an investigative-style FIU located within the Ministry of National Security. The FIU receives STRs from the Supervisory Authority for analysis and investigation. From January to December 2009, the FIU received 64 STRs and investigations commenced for all STRs received.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture:

Under current law, all assets can be seized, including legitimate businesses if they are used in the commission of a crime. The banking community cooperates with law enforcement efforts to trace funds and seize or freeze bank accounts. The time period for restraint of property is determined by the High Court. Presently, only criminal forfeiture is allowed by law. No assets were seized in 2008 or 2009.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: No

The GOG regulates the cross-border movement of currency. However, there is no threshold requirement for currency reporting. Law enforcement and Customs officers have the powers to seize and detain cash that is imported or exported from Grenada.

Cooperation with foreign governments:

In 2003, the GOG passed the Exchange of Information Act No. 2, which strengthens Grenada's ability to share information with foreign regulators. The Grenada FIU has the authority to exchange information with its foreign counterparts without a memorandum of understanding (MOU).

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

In 2009 there were four arrests for money laundering, three involving theft and one drug related.

The GOG circulates to the appropriate institutions the lists of individuals and entities included on the UNSCR 1267 Sanctions Committee's consolidated list. There has been no known evidence of terrorist financing in Grenada.

U.S.-related currency transactions:

The U.S. dollar is commonly used in the licit and illicit economies of Grenada.

Records exchange mechanism with U.S.:

Grenada has a Mutual Legal Assistance Treaty (MLAT), Tax Information Exchange Agreement and Extradition Treaty with the United States. The GOG cooperates fully with MLAT requests and responds rapidly to U.S. Government requests for information involving money laundering cases. Grenadan officials have regularly assisted the U.S. Internal Revenue Service on investigations.

International agreements:

Grenada 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

Grenada is a member of the Caribbean Financial Action Task Force, a FATF-style regional body. Its most recent 2009 mutual evaluation report is located here: http://www.cfatf-gafic.org/downloadables/mer/Grenada_3rd_Round_MER_%28Final%29_English.pdf

Recommendations:

Although the Government of Grenada (GOG) has strengthened the regulation and oversight of its financial sector, it will need to remain alert to potential abuses and steadfastly implement the laws and regulations it has adopted. The GOG should adopt its pending forfeiture and confiscation bills and establish mechanisms to identify and regulate alternative remittance systems. It also should establish border declarations and large currency transaction reporting requirements for financial institutions and designated non-financial businesses and professions. To improve the conduct of money laundering investigations, the FIU should improve coordination with other law enforcement bodies. The GOG should take advantage of opportunities for law enforcement and customs authorities to initiate money laundering investigations targeting regional smuggling. To strengthen its legal framework against money laundering, Grenada should move expeditiously to become a party to the UN Convention against Corruption and should not redevelop its offshore financial sector.

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.

Guyana

Money laundering in Guyana is perceived as an increasingly serious problem and has been linked to narcotics (principally cocaine) and firearms transshipments from Latin America to Europe and North America. Popular perception routinely links high-level public officials to trafficking and money laundering operations. Guyana has a large informal, cash-based economy containing significant amounts of contraband goods and narcotics, the proceeds of which are laundered primarily through non-bank money-transfer operations. A recent boom in residential & commercial construction and a proliferation of importers of consumer goods, all without corresponding growth in the economy, strongly suggests trade-based money laundering is widespread in Guyana. Black markets exist in consumer goods, fuel, currency and gold. Narco-trafficking is widely believed to finance these markets.

Offshore Center: No

Offshore banks and businesses are permitted under the laws of Guyana, yet very few, if any, appear to exist. The effectiveness of oversight of these firms along with reliable statistics is unavailable. Anonymous directors do not appear to be proscribed under Guyanese law. No offshore casinos/Internet gaming sites are known.

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

The Anti-Money Laundering and Countering the Financing of Terrorism Act of 2009 (AMLCFTA) replaces – and is a material improvement over – the Money Laundering Prevention Act (MLPA) of 2000. Improvements include an expansive definition of money laundering, provisions designating terrorist financing as a specific crime, and strong enforcement tools, including asset forfeiture. For the first time, money transfer agencies are regulated and subject to government supervision.

Criminalizes terrorist financing: Yes

The AMLCFTA criminalizes terrorist financing in accordance with the UN International Convention for the Suppression of the Financing of Terrorism and UN Security Council Resolution 1373. The AMLCFTA reflects an "all serious crimes" approach to defining money laundering, and terrorism/terrorist financing are specifically stated in the law as being serious crimes.

Know-your-customer rules: Yes

The consistent implementation of customer due diligence and know-your-customer guidelines is questionable.

Bank records retention: Yes

Currency transactions above the equivalent of $10,000 are routinely recorded. Under AMLCFTA all reporting entities are required to maintain records necessary to reconstruct significant transactions. Financial institutions must keep business transaction records for a period of seven years after completion of the transaction and records of suspicious transaction reports (STRs) for six years.

Suspicious transaction reporting: Yes

The AMLCFTA now broadly imposes similar reporting on designated non-financial businesses and professions (DNFBPs) and non-bank financial institutions. Banks, offshore banks, finance companies, currency exchange houses, insurance companies, money transmission services, factoring companies, leasing companies, trust companies, and securities and loan brokers are required to report suspicious transactions to the financial intelligence unit (FIU). Lawyers, casinos, notaries, and accountants are among those entities exempt from financial regulatory control. The number of STRs has declined significantly since 2006. Only a total of 44 STRs were submitted to the FIU for the years 2006 and 2007. The Government of Guyana (GOG) has reportedly not released statistics on the number of STRs received in 2008 or 2009 by the FIU. No DNFBPs have submitted STRs. The FIU has never referred a case of money laundering for law enforcement investigation.

Large currency transaction reporting:

No information available.

Narcotics asset seizure and forfeiture:

The AMLCFTA expands the scope for asset forfeiture, but corresponding regulations need to be established. With respect to seizures, it appears that further legislation and regulation are needed - no established processes currently exist. Guyana has no domestic laws authorizing the freezing of terrorist assets.

Narcotics asset sharing authority:

The AMLCFTA appears vague on sharing seized assets with foreign countries. The law authorizes the execution of searches and seizures on behalf of foreign governments, but only if Guyana has entered into a mutual legal assistance treaty (MLAT) with the government requesting assistance. No further language addresses the disposition of seized assets.

Cross-border currency transportation requirements: Yes

Undeclared or falsely declared cross-border movement of currency exceeding $10,000 is a customs violation. While customs declarations are made, investigations are rarely, if ever, performed concerning the individuals and businesses carrying the cash.

Cooperation with foreign governments:

There are several pieces of legislation which provide a legal framework for cooperation.

Pursuant to section 6(2) (d) of the Financial Intelligence Unit Act (FIUA) of 2003, the FIU may provide information relating to the commission of an offense or concerning STRs to any foreign FIU.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Value transfer occurs outside the formal financial system in a variety of ways. Couriers routinely carry large sums (over $100,000) of cash to the U.S. via commercial air flights, and likely gold and diamonds as well as these commodities are both mined in Guyana. Cross border smuggling is a widespread problem in part due to high import duties and taxes. Illegal drugs, consumer goods and fuel are all commonly smuggled items. Trade-based money laundering is a common by-product of narco-trafficking, financing a wide variety of purchasing by consumer goods importers. These actions all occur virtually unchecked, despite occasional arrests.

The GOG made no arrests or prosecutions for money laundering in 2008.

Implementing rules and regulations must be put in place by the Ministry of Finance before the FIU can begin to exercise its new powers under the AMLCFTA.

The FIU director disseminates the names of suspected terrorists and terrorist organizations listed on the UN 1267 Sanctions Committee's consolidated list to relevant financial institutions.

U.S.-related currency transactions:

The US dollar is widely used in both the licit and illicit economies.

Records exchange mechanism with U.S.:

Guyana does not have a MLAT with the United States but is a party to the Inter-American Convention on Mutual Legal Assistance. The GOG has not cooperated in any meaningful way with USG law enforcement agencies investigating financial crimes related to narcotics, terrorism, terrorist financing and other crimes.

International agreements:

Guyana's FIU currently does not meet the membership requirements to join the Egmont Group.

Guyana 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

Guyana is a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering and the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Guyana's most recent mutual evaluation report can be found here: http://www.cfatf-gafic.org/mutual-evaluation-reports.html

Recommendations:

The Government of Guyana should provide appropriate resources and awareness training to its regulatory, FIU, law enforcement, and prosecutorial personnel. Guyana should make it a priority to adopt the necessary rules and regulations to fully implement the 2009 AMLCFTA. The GOG should establish procedures for asset seizure and forfeiture. Guyana's FIU should take the necessary steps to apply for Egmont Group membership. Guyana also should take action to curb the rampant smuggling and use of trade-based money laundering in the country, partially by stringently enforcing its cross-border currency transportation declaration requirements.

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.

Honduras

Honduras is not an important regional or offshore financial center. Money laundering in Honduras stems primarily from significant narcotics trafficking, particularly cocaine, throughout the region. Human smuggling of illegal immigrants into the United States also constitutes a growing source of laundered funds. Money laundering in Honduras derives both from domestic and foreign criminal activity, and the majority of proceeds are suspected to be controlled by local drug trafficking organizations and organized crime syndicates. Laundered proceeds typically pass directly through the formal banking system, but laundering funds through remittance companies, currency exchange houses, the construction sector, and automobile and real estate front companies may be increasing. These factors, combined with the country's current political crisis, vulnerabilities of a lack of resources for investigations and analysis, and corruption within the law enforcement and judicial sectors, contribute to a favorable climate for significant money laundering in Honduras. There is not a significant black market for smuggled goods; however, there is some smuggling of items such as firearms, gasoline, illegally caught lobster and cigarettes.

Offshore Center: No

Free Trade Zones: Yes

Most foreign companies are located in export processing zones and free trade zones (FTZs). There are 102 registered export processing zones in Honduras. Companies include manufacturers of apparel, sporting goods and textiles, as well as electronic and automotive assembly operations. There are no standard due diligence procedures or requirements for those who use FTZs. Nevertheless, companies of Asian origin undergo greater scrutiny and are required to produce a letter from a parent company to verify legitimacy.

Criminalizes narcotics money laundering: Yes

Law No. 27-98 criminalizes the laundering of narcotics-related proceeds and contains various record-keeping and reporting requirements for financial institutions.

Criminalizes other money laundering, including terrorism-related: Yes

Decree No. 45-2002, enacted in 2002, supersedes the original money laundering laws established in 1998 and expands the definition of money laundering to include transfer of assets that proceed directly or indirectly from trafficking of drugs, arms, human organs or persons; auto theft; kidnapping; bank and other forms of financial fraud; and terrorism, as well as any sale or movement of assets that lacks economic justification.

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 reform of the Honduran Penal Code, enacted on April 24, 2009, includes terrorist financing as a crime.

Know-your-customer rules:

Banks are required to know the identity of all their clients and depositors, regardless of the amount of deposits.

Bank records retention:

According to Decree No. 45-2002, reporting institutions must keep a registry of reported transactions for five years.

Suspicious transaction reporting:

All transactions exceeding $10,000 are treated as suspicious under the law. Banks and financial institutions are required to report all suspicious transactions to the financial intelligence unit (UIF). Amendments to the anti-money laundering legislation in 2008 expand the scope of entities required to file suspicious transaction reports (STRs) to include real estate agents, used car dealerships, antique and jewelry dealers, pawn shops, remittance companies, armed car contractors, and non-governmental organizations. The UIF received 354 STRs in 2009.

Large currency transaction reporting: Yes

See above.

Narcotics asset seizure and forfeiture:

The Government of Honduras' (GOH) asset seizure law has been in effect since 1993. The law allows for both civil and criminal forfeiture, and there are no significant legal loopholes that allow criminals to shield their assets. Under the law, the Office of Seized Assets (OABI) is responsible for identifying, tracing, freezing, seizing and forfeiting seized assets.

Under separate authority, the Ministry of Foreign Affairs is responsible for instructing the National Banking and Insurance Commission (CNBS) to issue freeze orders for organizations and individuals named by the UNSCR 1267 Sanctions Committee, and those organizations and individuals on the list of Specially Designated Global Terrorists by the United States pursuant to Executive Order 13224. CNBS has reported that, to date, no accounts linked to the entities or individuals on the lists have been found in the Honduran financial system.

Narcotics asset sharing authority: No

The de facto regime that took power following the 2009 coup d'état does not have diplomatic relations with any other country and there are therefore no ongoing negotiations to enhance asset tracing, freezing, and seizure.

Cross-border currency transportation requirements:

Decree No. 45-2002 requires all persons entering or leaving Honduras to declare (and, if asked, present) cash and convertible securities they are carrying if the amount exceeds $10,000 or its equivalent. However, citizens of Honduras, Guatemala, El Salvador, and Nicaragua, are permitted inspection-free movement across their respective borders under the Central American Four Agreement, and there is no requirement for reporting border declarations and seizures to the financial intelligence unit. There is a lack of adequate implementation and enforcement.

Cooperation with foreign governments:

Before the June 28, 2009 coup d'état, Honduras cooperated, when requested, with law enforcement agencies of the U.S. Government and other governments investigating financial crimes. The new de facto government was not recognized by any foreign government. This limited Honduras' ability to engage with other countries and international organizations in efforts to combat money laundering.

U.S. or international sanctions or penalties:

Following the June 28, 2009 coup d'état, Honduras was suspended from the Organization of American States, and the de facto government was not recognized by any other countries.

Enforcement and implementation issues and comments:

The CNBS' capacity to conduct compliance investigations is limited due to insufficient staff and infrequent training. Similarly, the UIF is fully operational but inadequately staffed. The UIF is closely supervised by the CNBS and does not have operational and budgetary independence.

The OABI is a poorly administered organization, and is constrained by a lack of coordination with public prosecutors who must bring cases to trial before seized assets can be distributed or auctioned. The public prosecutor has said it is no longer working with OABI because of disputes over final forfeiture of assets and disbursement of monies from auctioned assets or bulk cash seizures. Equitable sharing of seized monies has been a continuing problem, and appears at times to be controlled by political influence. Despite Public Ministry guidelines on distribution, police entities involved in the original investigations rarely see an equitable share of the assets seized. In some cases, entities that have nothing to do with the investigation receive a portion of the funds.

Lack of coordination at all levels is a key area preventing a higher success rate in investigations and prosecutions. At the ministry level, the Interagency Commission for the Prevention of Money Laundering and Financing of Terrorism (CIPLAFT) was created in 2004 but never got off the ground. Contact is sporadic and personality-driven, and there is a significant backlog of cases.

U.S.-related currency transactions:

Honduran law allows dollar denominated bank accounts and such accounts are common.

Records exchange mechanism with U.S.:

No specific written agreement exists between the U.S. and Honduras to establish a mechanism for exchanging adequate records in connection with investigations and proceedings relating to narcotics, terrorism, terrorist financing, and other crime investigations.

International agreements:

The UIF has signed memoranda of understanding to exchange information on money laundering investigations with Panama, El Salvador, Guatemala, Mexico, Peru, Colombia, the Dominican Republic,

Costa Rica, Bolivia, Haiti, Argentina, Saint Vincent and The Grenadines, St. Kitts and Nevis, Belize, and the Cayman Islands. Before the coup d'état, the UIF reported that bilateral cooperation and information sharing was good across the board. However, the international isolation of the post-coup de facto government has impeded information sharing on counternarcotics and other issues.

Honduras 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

Honduras is a member of the Central American Council of Bank Superintendents. Honduras also is a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Group of Experts to Control Money Laundering, and the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force-style regional body. Its most recent evaluation, conducted by the World Bank, can be found here: http://www.cfatf-gafic.org/mutual-evaluation-reports.html

Recommendations:

Unless the Government of Honduras takes action to improve the coordination and cooperation among law enforcement, the FIU and prosecutors it will not be able to successfully investigate and prosecute financial crimes, including money laundering and terrorist financing. Adequate resources should be devoted to fully staff the CNBS and FIU, and to raise the capacity of all entities so they can fulfill their responsibilities.

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.

Hungary

Hungary is not considered a major financial center and is not generally viewed as a high-risk country for money laundering; however, its pivotal location in Central Europe - as a European Union (EU) member, but also a link between the former Soviet Union and Western Europe - as well as its cash-based economy and well-developed financial services industry make it attractive to foreign criminal organizations. The preponderance of money laundering cases appears to stem from financial and economic crimes, such as fraud, embezzlement, tax evasion, and tax and social security fraud, although narcotics trafficking, prostitution, trafficking in persons, and organized crime also contribute. Other prevalent economic and financial crimes include real estate fraud and the copying/theft of bankcards. There have been several cases involving foreign organized crime groups from Russia, Ukraine, Lithuania, China and Vietnam. There is a sizeable black market for smuggled goods in Hungary, primarily related to customs, excise, and value-added tax evasion. Illegal products are currently estimated to account for ten percent of the market. No international terrorist groups are known to operate in Hungary. Funding sources for the extreme right-wing Hungarian Arrows are currently unknown but under investigation.

There are numerous indicators that trade-based money laundering occurs in Hungary. Several Hungarian-based companies engaged in trading commodities such as natural gas, metals, and fertilizer, as well as a large pharmaceutical firm, are owned by offshore entities where beneficial ownership information is

unclear, or whose owners have reported ties to individuals associated with Russian and Ukrainian-based organized crime groups, reportedly entrenched in Hungary, and/or with high-ranking politicians in Russia, Ukraine, and/or Hungary. Several of these companies employ transfer pricing and/or intercompany loan schemes involving networks of similarly shadowy international companies to obscure the sources of funds and the true beneficiaries of their profits. Several such companies also maintain relationships with banks in Hungary.

Offshore Center: No

Free Trade Zones: No

As of May 1, 2004, the date of accession of Hungary to the EU, "free zones" may be established or operated in Hungary only in accordance with the relevant EU legislation. The Government of Hungary (GOH) may designate such a free zone. However, Hungary has not issued any authorizations for free zones since its accession.

Criminalizes narcotics money laundering: Yes

Section 303 of the 1978 Hungarian Criminal Code makes money laundering a criminal offense. Predicate offenses include all "activities punishable by imprisonment". As amended by Act XXVII of 2007, provisions cover the transfer of proceeds to a third party, disguise or concealment of the true origin of funds, and self-laundering.

Criminalizes other money laundering, including terrorism-related: Yes

In December 2007, a new anti-money laundering/counter-terrorist financing (AML/CFT Act) law entered into force (Act CXXXVI of 2007 on the Prevention and Combating of Money Laundering and Terrorist Financing). The AML/CFT Act expands the scope of coverage to further professions, including real estate agents/brokers, auditors, accountants, bookkeepers, tax consultants and advisors, casinos, traders of precious metals or articles made of precious metals, lawyers, notaries, and all natural or legal persons trading in goods by way of business, including postal financial intermediation and money transfer services.

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 GOH criminalizes terrorism and all forms of terrorist financing with Act II of 2003. Act XXVII of 2007 on the Amendment of Act IV of 1978 on the Criminal Code and Other Criminal Law Related Acts introduces new provisions on terrorist financing. The Act ensures that providing or raising funds to finance terrorist activities constitutes a criminal offense.

Know-your-customer rules:

The AML/CFT Act introduces a risk-sensitive approach regarding customer due diligence (CDD) and establishes detailed rules, including simplified as well as enhanced CDD for low or high-risk customers or business relationships, such as appropriate procedures to determine whether a person is a "politically-exposed person". Banks and other financial institutions are required to apply CDD measures when establishing a business relationship and when carrying out transactions amounting to 3.6 million forints (approximately $20,000) or more. Currency exchange booths are under the same obligations for transactions amounting to 500,000 forints (approximately $3,000) or more. In order to avoid repetitive procedures, certain service providers may rely on third party CDD.

Bank records retention:

Banks and financial institutions are required to keep on file any data and documents for eight years from the time of entry into the records or the time of notification or suspension, even if the business relationship has been terminated.

Suspicious transaction reporting:

The AML/CFT Act requires covered institutions to file suspicious transaction reports (STRs) to the Hungarian Financial Intelligence Unit (HFIU) whenever money laundering or terrorist financing is suspected. When submitting STRs, service providers are obligated to suspend the suspicious transaction(s) until notified by the FIU that no criminal proceedings will be commenced or, absent such notification, for one day in the case of a domestic transaction, or two days for a foreign transaction. There is no minimum threshold for filing an STR. In 2008, the HFIU received 10,091 STRs and initiated criminal investigations in 18 cases. During the first half of 2009, the HFIU received 2,610 STRs and initiated criminal investigations in 16 cases with 59 STRs. In the first half of 2009, 14 transactions were suspended on the basis of STRs, all of which were carried out by the reporting entities. The HFIU initiated a criminal investigation on the basis of one of these suspensions.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture:

Judicial and law enforcement authorities are empowered to freeze, seize and confiscate assets in connection with criminal proceedings. Act XIX 1998 on Criminal Proceedings establishes the procedures for freezing and confiscating assets in connection with a criminal procedure. According to the Hungarian Criminal Code (HCC), instrumentalities of crimes and substitute assets can be seized and forfeited. Legitimate businesses may be seized if used in connection with criminal activity. The HCC presumes all assets owned by a criminal organization are subject to forfeiture and places the burden on the defendant to prove the assets are legitimate and unconnected with criminal activity. Hungarian law does not provide for civil forfeiture; it does, however, allow for *in rem* confiscation of criminal assets in situations where the perpetrator may not be able to stand trial (e.g., absconded, deceased, mentally unfit, or a minor). According to the General Prosecutor's Office, during the first half of 2009, $3.5 million was frozen and $1.7 million was seized.

Hungary's Act on Criminal Procedure does not provide separate procedures for persons suspected of committing terrorist acts. Act CLXXX of 2007 provides for the freezing of financial assets and economic resources of terrorists by administrative measures. On the basis of this Act, service providers must immediately contact the HFIU which will then suspend the questionable transaction and either block or freeze any relevant assets.

Narcotics asset sharing authority: Yes

Hungary has implemented European Council Framework Decision 2006/783, which mandates the sharing of seized assets in certain cases with other EU governments. Asset sharing occurs on a case by case basis with non-EU countries.

Cross-border currency transportation requirements:

Travelers entering or leaving the EU and carrying any sum equal to or exceeding euro 10,000 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 (including refusals):

Hungary's national provisions on international cooperation in criminal matters can primarily be found in Act XXXVIII of 1996 on International Legal Assistance in Criminal Matters, according to which Hungarian judicial authorities do not require treaties to provide such cooperation. Hungarian legislation allows cooperation both on the basis of reciprocity and in the absence of it.

The Hungarian National Police and Budapest Police Department partnered with the U.S. Drug Enforcement Administration to disrupt and dismantle a major world-wide money laundering network.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Considering the thousands of STRs filed every year, relatively few criminal investigations are initiated, and of these only a handful of cases eventually make it to the Prosecutor's Office as indictments. As of December 4, 2009, there were 17 individual arrests in 2009 for money laundering in connection with three criminal investigations. Five individuals have been prosecuted and two have been convicted. There have been no cases involving terrorist financing.

International organizations have criticized Hungary for keeping insufficient and often inconsistent data.

The GOH routinely disseminates information on UN, EU and USG designations to the HFIU and to financial institutions. There have been no identifications, freezes, seizures, or forfeitures of terrorist-related assets in recent years.

U.S.-related currency transactions:

Funds laundered through Hungary's financial system do not appear to involve U.S. currency or funds derived from illicit drug sales in the U.S.

Records exchange mechanism with U.S.:

Hungary and the United States have a Mutual Legal Assistance Treaty (MLAT) and a nonbinding information sharing arrangement designed to enable U.S. and Hungarian law enforcement to work more closely to fight organized crime and illicit transnational activities. Two bilateral agreements concluded in 2008 specifically provide for sharing of personal and biometric data of criminal and terrorist suspects and perpetrators. In May 2000, Hungary and the U.S. Federal Bureau of Investigation (FBI) established a joint task force in which FBI officers work side-by-side with National Bureau of Investigation counterparts to combat Russian organized crime groups.

International agreements:

Hungary has signed bilateral agreements with numerous countries to allow for direct information exchanges between competent authorities in combating terrorism, drug trafficking, and organized crime. Section 26 of the AML/CFT Act provides the basis for HFIU information exchanges with international authorities. The HFIU is authorized to share information for AML/CFT purposes, and for the purpose of investigating the following eight crimes: acts of terrorism, unauthorized financial activities, money laundering, tax fraud, embezzlement, fraud, and misappropriation of funds.

Hungary 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

Hungary is a member of the Council of Europe's Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:
http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Hungary_en.asp

Recommendations:

Hungary has worked continuously to improve its money laundering enforcement regime, in particular to strengthen its legal and institutional framework. Despite this progress, additional government efforts

toward improved implementation would aid in combating money laundering and terrorist financing. The Government of Hungary should take steps to increase cooperation and coordination among law enforcement entities and the prosecution service to more effectively investigate and prosecute money laundering cases. Prosecutors, judges, and law enforcement personnel also require enhanced knowledge to promote the successful prosecution of money laundering cases. Improved supervision, outreach, and guidance by Hungary's supervisory bodies, particularly with regard to designated nonfinancial businesses and professions, would help ensure that STR reporting obligations are fulfilled. Increased AML/CFT training for the employees of financial institutions and other obligated entities is also necessary to further improve the quality of filed STRs, in particular those related to terrorist financing.

Iceland

Iceland is not considered an important regional financial center. Money laundering is not considered a major problem in Iceland. Money laundering in Iceland is related primarily to narcotics smuggling and trading. Criminal proceeds tend to derive from domestic organizations with linkages to foreign groups. As of late 2009, investigators were looking into the collapse of Iceland's financial system and re-examining allegations that its banks may have been involved in money laundering. Documents relating to such allegations have circulated between officials in Iceland, Denmark and the Serious Fraud Office in London. A wide-ranging inquiry into the collapse of Iceland's banks has started to unravel a complicated network of unconventional loan agreements between the banks and high-level business people.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

The Icelandic Penal Code 19/1940, enacted in 1940, criminalizes money laundering regardless of the predicate offense. In June 2006, parliament passed the Act on Measures to Counteract Money Laundering and the Financing of Terrorist Acts (Act 64/2006) to replace 1993 legislation. Act 64/2006 was adopted to harmonize Iceland's domestic anti-money laundering framework and expands upon previous AML requirements from 1993 and1999. Amendments were made to Act 64/2006 in 2008 (Act no. 77/2008).

Legal provisions proposed in a new bill passed by parliament on December 18, 2009 broaden the definition of money laundering in order to make the law more comprehensive, and will be a powerful tool for confiscating property in narcotics cases. The bill also includes a reversed burden of proof clause, so the person or entity under investigation must prove that the money involved was legally attained.

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/)

According to Regulation 122, passed on January 20, 2009, parties in Iceland and abroad are prohibited from financing terrorism actions of any kind. No one can raise funds or acquire other assets for the purpose of financing terrorist activity. A party can neither give money, either directly or indirectly, nor can it support terrorism in any way, e.g., helping out with weapons, offering a place to stay, or organizing or participating in any activity related to terrorism.

Know-your-customer rules: Yes

Act 64/2006 requires banks and other financial institutions, upon opening an account or depositing assets of a new customer; for individual transactions amounting to 15,000 euros (ISK 2.78 million) or more; or

when making currency exchange amounting to 1,000 euros (ISK 185,000) or more, to have the customer prove his or her identity by presenting personal identification documents.

Bank records retention: Yes

All records necessary to reconstruct significant transactions are maintained for at least seven years.

Suspicious transaction reporting: Yes

Act 64/2006 covers a broader range of designated non-financial businesses and professions (DNFBPs), including attorneys, auditors, real estate dealers, trust and company service providers, and dealers in any high-value items over euro 15,000 (approximately $20,500). These DNFBPs are "reporting entities" and have the same obligations as financial institutions. All obligated entities are required to file suspicious transaction reports (STRs) with the financial intelligence unit (FIU). According to 2008 figures, 520 STRs were sent to the FIU; none of the notifications were suspected cases of terrorist financing.

Large currency transaction reporting:

No information available.

Narcotics asset seizure and forfeiture: Yes

The Criminal Code allows for the freezing or seizure of funds based on reasonable suspicion of criminal activity. There are no significant obstacles to asset seizure in practice. The Icelandic legal system allows for criminal, but not civil, forfeiture.

Narcotics asset sharing authority: No

Iceland does not have any specific agreement or memoranda of understanding for coordinating seizure and confiscation actions with other countries. However, informal arrangements exist.

Cross-border currency transportation requirements: Yes

According to Article 27 of the Customs Act 88/2005, travelers and crew members arriving in or departing Iceland are to voluntarily declare cash in their possession exceeding an amount equal to euro 15,000. Although the term "cash" is used, bearer instruments and traveler's checks are included.

Cooperation with foreign governments:

Iceland is party to the 1959 European Convention on Mutual Assistance in Criminal Matters, the 1957 Convention on Extradition and the 1970 Convention on the International Validity of Criminal Judgements. The law enforcement community in Iceland is able to provide international cooperation to its foreign counterparts through a number of fora, including Interpol and Europol, as well as direct police to police contact.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

There were no money laundering convictions in 2008. Figures for 2009 are not available.

The Ministry of Justice publishes announcements via the National Gazette on individuals or legal entities (companies) whose names appear on the UNSCR 1267 Sanctions Committee's consolidated list or on the European Union clearinghouse list, and whose assets or transactions are subject to reporting and freezing by Icelandic financial institutions.

U.S.-related currency transactions:

The Icelandic krona (ISK) is not traded abroad. Drug trafficking occurs predominantly with European countries, not the United States.

Records exchange mechanism with U.S.:

The Icelandic FIU is able to exchange information with the Financial Crimes Enforcement Network.

International agreements:

Iceland is party to several regional agreements and conventions which facilitate extradition and mutual legal assistance.

Iceland 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

Iceland is a member of the Financial Action Task Force. Its latest mutual evaluation report can be found here: http://www.fatf-gafi.org/dataoecd/54/38/37706239.pdf

Recommendations:

The Government of Iceland (GOI) has improved its anti-money laundering/counter-terrorist financing system through the enforcement of existing laws, and review and implementation of international standards. A domestic mechanism should be implemented to be able to designate terrorists at a national level as well as to give effect to designations and requests for freezing assets from other countries. The GOI should continue to enhance its program, as appropriate. Iceland should become a party to the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

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; 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.

Iraq

Iraq's economy is primarily cash-based, and there is little data available on the extent of money laundering in the country. Smuggling is endemic, involving consumer goods, cigarettes, and petroleum products. There is a large market in Iraq for stolen automobiles from Europe and the United States. Bulk cash smuggling, counterfeit currency, trafficking in persons, and intellectual property rights violations are also major problems. Ransoms from kidnappings and extortion are often used to finance terrorist networks. There are credible reports of counterfeiting. Trade-based money laundering, customs fraud, and value transfer are found in the underground economy. Hawala networks, both licensed and unlicensed, are widely used for legitimate and illicit purposes. Regulation and supervision of the formal

and informal financial sectors is still quite limited and enforcement is subject to political constraints, resulting in weak private sector controls. Corruption is a major challenge and is exacerbated by weak financial controls in the banking sector and weak links to the international law enforcement community. Transparency International's 2009 International Corruption Perception index ranked Iraq as 176 out of 180 countries, demonstrating only minimal change from the previous year.

Offshore Center: No

Free Trade Zones: Yes

Iraq has four free trade zones: the Basra/Khor al-Zubair seaport; Ninewa/Falafel area; Sulaymaniyah; and al-Qaim, located in western Al Anbar province. Under the Free Trade Zone (FTZ) Authority Law, goods imported or exported from the FTZ are generally exempt from all taxes and duties, unless the goods are to be imported for use in Iraq. Additionally, capital, profits, and investment income from projects in the FTZ are exempt from taxes and fees throughout the life of the project, including the foundation and construction phases. Value transfer via trade goods is a significant problem in Iraq and the surrounding region.

Criminalizes narcotics money laundering: Yes

The Coalition Provision Authority (CPA) Order No. 93, the "Anti-Money Laundering Act of 2004" (AMLA), sets out Iraq's anti-money laundering/counter-terrorist financing (AML/CFT) legal framework. The law has major deficiencies, including that money laundering is treated as a misdemeanor, with fine-based penalties. Another structural defect of the current law is that its provisions were never defined or integrated into existing Iraqi legal provisions and processes. The result is that the law is not understood by government agencies and officials and is not implemented. The Government of Iraq (GOI) has been working with international organizations to draft a new AML/CFT law that would better fit within Iraq's existing legal framework.

Criminalizes other money laundering, including terrorism-related: Yes

The AMLA criminalizes money laundering, financial crime (including the financing of terrorism), and structuring cash transactions to obscure possible illicit activities and avoid legal or regulatory requirements. The AMLA covers banks; investment funds; securities dealers; insurance entities; money transmitters; and foreign currency exchange dealers as well as persons who deal in financial instruments, precious metals or gems; and persons who undertake hawala transactions.

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/)

The AMLA criminalizes terrorist financing. As with money laundering, terrorist financing is treated as a misdemeanor, with very low penalties. Currently there is no legislation in Iraq allowing the GOI to freeze and confiscate terrorist assets without delay under civil proceedings.

Know-your-customer rules: Yes

Covered entities are required to verify the identity of non-account holders performing a transaction or series of transactions whose value is equal to or greater than five million Iraqi dinars (approximately $4,250). Beneficial owners must be identified upon account opening and for transactions exceeding 10 million Iraqi dinars (approximately $8,500). In practice, most banks open accounts based on the referral of existing customers and/or verification of a person's employment. Actual application of the rules varies widely across Iraq's 39 state-owned and private banks.

Bank records retention: Yes

Financial institutions must maintain records for a period of at least five years after the customer relationship ends or the transaction occurs.

Suspicious transaction reporting: Yes

Entities covered by the AMLA must report suspicious transactions to Iraq's financial intelligence unit (FIU) and wait for guidance before proceeding with the transaction; the relevant funds are frozen until guidance is received. Suspicious transaction reports (STRs) are to be completed for any transactions over 4 million Iraqi dinars (approximately $3,400) believed to involve funds derived from illegal activities or money laundering, intended for the financing of crime (including terrorism), or over which a criminal organization has disposal power; or a transaction conducted to evade any law or which has no apparent business or other lawful purpose. In practice, most banks either do internal investigations or contact the FIU, which does an account review to resolve any questionable transactions. In practice, very few STRs re filed.

Large currency transaction reporting: Yes

The AMLA gives the Central Bank of Iraq (CBI) the authority to adopt regulations to require the reporting of all cash transactions over 15 million dinars. It also gives the CBI the sole discretion to exempt individuals or entities from reporting requirements. Implementation of the requirement is spotty; many banks and individuals continue to deal in large amounts of cash without filing reports.

Narcotics asset seizure and forfeiture:

Asset forfeiture is rudimentary at best. The AMLA includes provisions for the forfeiture of any property. Such property includes, but is not limited to, funds involved in a covered offense, or property traceable to the property, or any property gained as a result of such an offense. The courts can order confiscation of property, but only if the property is directly related to the crime, including drug proceeds. The lack of automation or infrastructure in the banking sector hinders the government's ability to identify and freeze assets linked to illicit activities.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: Yes

It is illegal under Iraqi law to export dinars. Neither Iraqis nor foreigners are permitted to carry more than $10,000 in U.S. currency when exiting Iraq, but these measures are rarely enforced. The AMLA authorizes the CBI to require all persons to submit a report of currency and monetary instruments to the FIU and/or the Iraqi Customs Service when importing or exporting currency or other monetary instruments greater than 15 million dinar. In practice, the use of a form has been abandoned.

Cooperation with foreign governments (including refusals):

U.S. law enforcement agencies indicate that cooperation with Iraqi counterparts has been somewhat sporadic but is increasing. Iraq has no formal law enforcement cooperation programs or plans with neighboring countries in the region.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Communication is poor between the CBI and Iraq's public and private banks, particularly with respect to money laundering, terrorist financing, and other potential risks. Although officially under the aegis of the CBI, money exchangers and money transmitters, including hawaladars, are largely unregulated.

Iraq's financial intelligence unit (FIU), the Money Laundering Reporting Office (MLRO), is only marginally functional, lacking resources, autonomy and the expertise to adequately fulfill its

responsibilities. Furthermore, the MLRO does not have a cooperative relationship with Iraqi law enforcement agencies. The lack of outreach, communication and overall knowledge of AML/CFT issues is a major impediment to progress.

There is little institutional knowledge in the CBI, law enforcement agencies, or the judiciary regarding implementing Iraq's AML/CFT legislation and combating systemic money laundering and terrorist financing threats. There has not been a single conviction for money laundering or terrorist financing since the AMLA was enacted in 2004.

Banks do receive the UNSCR 1267 Committee list of designated terrorists and terrorist organizations, although the current process for distribution is very inefficient. The Bank Supervision Department of the CBI is not familiar with the list and is not aware of how banks get the information.

U.S.-related currency transactions:

US dollars are widely accepted and are used for many payments made by the US military, and assistance agencies and their contractors.

Records exchange mechanism with U.S.: No

Iraq does not have a Mutual Legal Assistance Treaty with the United States.

International agreements:

Iraq 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

Iraq is a member of the Middle East and North Africa Financial Action Task Force (FATF) (MENAFATF), a FATF-style regional body. Iraq has not yet undergone a mutual evaluation.

Recommendations:

The Government of Iraq (GOI) has taken initial steps to develop an AML/CFT regime. Iraq should fully implement existing legislation and should enact the proposed new AML/CFT law that more closely comports with international standards. As part of any new legislation, penalties for money laundering and terrorist financing should be made strong enough to serve as real deterrents to those crimes. The GOI also should pass legislation that allows Iraq to freeze and confiscate criminal and terrorist assets. The GOI should bolster the relevant agencies in Iraq's AML/CFT regime, and issue or establish the proper regulations and legislation related to combating systemic money laundering and terrorist financing threats in Iraq. The CBI should be particularly cautious about granting licenses to banks from jurisdictions of concern; the MLRO needs proper training, equipment, and direction to be better able to receive and analyze STRs; the Iraqi financial sector needs to adopt and use AML/CFT standards and best practices and develop internal private sector controls; Iraq needs to participate fully in the MENAFATF by attending its plenary meetings, taking advantage of its training opportunities, and implementing the FATF's international standards; Iraqi law enforcement and the judiciary at national and regional levels need to enhance their ability to soundly interpret, apply, and enforce the legal principles of the AMLA and therefore better conduct investigations and to cooperate with one another; Iraqi law enforcement, border authorities, and customs service should continue to strengthen border enforcement and identify and pursue smuggling, trade-based money laundering, and terrorist financing networks; and, the GOI should make a concerted effort to combat the corruption that hinders development and impedes an effective AML/CFT regime. Implementation of all these measures will require concerted capacity development efforts within the Central Bank, security forces, and border and customs authorities. Finally, Iraq should become a party to 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.

Jordan

Although Jordan is not a regional or offshore financial center, it does have a well developed financial sector with significant banking relationships in the Middle East. Jordan's long and remote desert borders and nexus to Iraq, Syria, and the West Bank make it susceptible to the smuggling of bulk cash, fuel, narcotics, cigarettes, counterfeit goods and contraband, although there is insufficient information available from the Government of Jordan (GOJ) to quantify this activity. Jordan boasts a thriving "import-export" community of brokers, traders, and entrepreneurs who regionally are involved with value transfer via trade and customs fraud. There are anecdotal indications of the use of Jordan for money laundering of illicit funds derived from narcotics and other criminal activity in the U.S. and possibly Europe via bulk cash smuggling for criminal elements involving Jordanians in those areas. However, it is thought the major sources of illicit funds in Jordan are most likely to be related to commercial fraud, customs fraud, tax fraud and intellectual property rights (IPR) violations.

Offshore Center: No

Free Trade Zones:

There are six public free trade zones (FTZ) in Jordan: the Zarqa Free Zone, the Sahab Free Zone, the Queen Alia International Airport Free Zone, the Al-Karak Free Zone, the Al-Karama Free Zone, and the Aqaba Special Economic Zone (ASEZ). With the exception of Aqaba, these FTZs list their activities merely as trade. There are 36 private free trade zones, a number of which are related to the aviation industry, with five more being established. Some of these FTZs list their activities as industrial, agricultural, pharmaceutical, training of human capital, and multi-purpose. With the exception of ASEZ, all free trade zones are regulated by the Jordan Free Zones Corporation in the Ministry of Finance and are guided by the Law of Free Zones Corporation No. 32 for 1984. Regulations state that companies and individuals using the zones must be identified and registered with the Corporation. State security entities regularly circulate information and names of suspected individuals and activities to the FTZs to ensure no

abuse of the free trade status of those areas. The Aqaba Special Economic Zone Authority (ASEZA), a ministerial level authority, controls all of the port city of Aqaba. ASEZA has its own customs authority, which operates separately from Jordan Customs and processes all merchandise and commodities destined for businesses in the zone. It also processes all passengers entering the zone. Jordan Customs processes all shipments of goods in transit to areas outside the zone.

Criminalizes narcotics money laundering: Yes

On July 17, 2007, Jordan enacted Law No. 46 for the Year 2007—the Anti Money Laundering Law (AML Law) that criminalizes money laundering and includes narcotics trafficking as a predicate offense.

Criminalizes other money laundering, including terrorism-related: Yes

The AML Law does not cover financing of terrorism, but it criminalizes money laundering and stipulates as predicate offenses all felony crimes (those with penalties of three years or more incarceration) or any crime stated in international agreements to which Jordan is a party, whether such crimes are committed inside or outside Jordan. With this approach, several of the 20 crimes included in the international standards do not meet the penalty level for major crimes, and therefore are excluded as predicate offenses for money laundering under Jordan's current AML Law. The most noteworthy of these are: terrorist financing, smuggling, extortion, IPR violations, sexual exploitation of children, trafficking in persons, trafficking in stolen property, and environmental crimes.

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/)

An October 2001 revision to the Penal Code criminalizes terrorist activities and the financing of terrorist acts. The Prevention of Terrorism Act of 2006 also prohibits the financing of terrorist acts. However, Jordan has no legislation that prohibits financing of terrorist organizations or groups.

Know-your-customer rules: Yes

All obligated entities are required to conduct due diligence to identify customers and their activities, legal status, and beneficiaries; and to follow-up on transactions conducted through an ongoing relationship. Business dealings with anonymous persons, persons using fictitious names or shell banks are prohibited.

Bank records retention: Yes

Banks and other financial institutions are required to maintain records for a period of five years in order to facilitate investigations.

Suspicious transaction reporting: Yes

Financial institutions are required under the AML Law to report to the Anti-Money Laundering Unit (AMLU), Jordan's financial intelligence unit (FIU), all suspicious transactions, whether the transaction was completed or not, via suspicious transaction reports (STRs). Entities required to report include: banks, foreign exchange companies, money transfer companies, stock brokerages, insurance companies, credit companies, and any company engaging in debt collection and payment services, leasing services, investment and financial asset management, real estate trading and development, and companies trading in precious metals and stones. Lawyers and accountants are not considered to be obligated entities under the law. The AMLU received approximately 170 STRs in 2009. There was no report of any STRs being forwarded to prosecutors for further action.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture:

Seizure and forfeiture of assets related to criminal activity are authorized under a combination of statutes, principal of which are: the Penal Code, the Economic Crimes Law, the AML Law, the Narcotics and Psychotropic Substances Law and the Prevention of Terrorism Act of 2006. Jordan's Anti-drugs Law allows the courts to seize proceeds and instrumentalities of crime derived from acts proscribed by the law. The Economic Crimes Law gives both prosecutors and the courts the authority to seize from any person proceeds generated by criminal activity under that law for a period of three months while an investigation is underway. Jordan's penal code further provides prosecutors the authority to confiscate "all things" derived from a felony or intended misdemeanor.

Narcotics asset sharing authority: No

Cross-border currency transportation requirements: Yes

The AML Law requires reporting of inbound cross-border movement of money if the value exceeds JD 15,000 (approximately $21,150). A declaration form was adopted and printed in 2009. At year's end, Jordan Customs, in consultation with the AMLU, was working on a trial implementation plan to assess the enforcement of reporting requirements through use of the declaration at three ports of entry – Queen Alia International Airport, Aqaba Ferry Terminal, and Jabar land crossing (Syria). The declaration requirement applies only to entry of money into the Kingdom and not exiting.

Cooperation with foreign governments:

Jordan's AML Law provides judicial authorities the legal basis to cooperate with foreign judicial authorities in providing assistance in foreign investigations, extradition, and freezing and seizing of funds related to money laundering in accordance with current legislation and bilateral or multilateral agreements to which Jordan is a party, based on reciprocity. There was no indication in 2009 that these provisions of the AML Law have been used by the GOJ.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

The money services business sector lacks sufficient regulatory oversight and verification of compliance with STR reporting requirements. Real estate businesses and precious metals and stones dealers are also under-regulated and are generally unaware of their responsibilities to report suspicious transactions.

One phenomenon that surfaced during 2008 and continued through 2009 was the use of gold in lieu of cash for movement of liquid assets. The scheme involves persons crossing into Jordan, making an admission to inspecting customs authorities of trying to enter with multi-kilo quantities of gold, paying a fine and then re-exporting the gold, thus creating a declaration document to lend legitimacy to the movement of the precious metal. The activity noted in 2009 related to smuggling of gold bars into Jordan followed by deposit into a "gold account" in a Jordanian bank with subsequent transfer to other countries like Switzerland, ostensibly for the jewelry trade. Inquiries and assessments conducted during 2009 reveal Jordan continues to be vulnerable to trade-based money laundering, bulk cash smuggling, and abuse of alternative remittance systems. Data on the prevalence of these activities was not available for two reasons: recognition of these methodologies in Jordan is relatively new; and it is common practice for individuals and businesses of all types to first contact the General Intelligence Directorate (GID) if suspicions of certain crimes surface. Offenses perceived as relating to national security, including money laundering and terrorist financing, fall into that category. For example, when MSBs have suspicions about a person using their services, their practice has been to report it to the GID and not submit a STR to the AMLU. Details of these cases are rarely published or revealed.

Due to lack of knowledge of the AML Law, and uncertainty about the role of the AMLU with its limited functional capability, few prosecutors have considered using the AMLU to assist in criminal prosecutions or to charge financial crime violators with money laundering.

One significant challenge facing the GOJ is determining how law enforcement entities are tasked to conduct financial investigations relating to money laundering and terrorist financing. Law enforcement agencies and public prosecutors continue to deliberate the question of whether the AML Law or the Prevention of Terrorism Act of 2006 provides sufficient basis for charging money laundering or terrorist financing. There is no specific GOJ agency designated as the lead entity for investigating financial crimes. In spite of numerous criminal cases involving large financial value, no prosecutions of money laundering have occurred since the passage of the AML Law.

U.S.-related currency transactions:

The U.S. dollar is commonly used in both the licit and illicit economies.

Records exchange mechanism with U.S.:

Jordanian and U.S. law enforcement authorities have a working relationship and regularly exchange information on financial crimes. The GOJ and the U.S. have an extradition treaty.

International agreements:

Jordan 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

Jordan is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force-style regional body. Jordan's most recent evaluation can be found here: http://www.menafatf.org/

Recommendations:

The Government of Jordan (GOJ) should conduct a comprehensive evaluation of its capabilities to prevent money laundering and enforce its laws in accordance with international standards and best practices. There was little advancement in the AML/CFT regime in 2009. Many of the steps in the FIU implementation plan require action or approval of the National Committee on Anti-Money Laundering which has not steadily moved forward in addressing the necessary requirements needed to comport with international standards. GOJ prosecutorial, law enforcement and customs entities should examine forms of bulk cash smuggling relating to terrorist financing and trade-based money laundering and incorporate preventative and investigative strategies to successfully conduct complex financial investigations. Jordan should also establish and implement a viable asset forfeiture regime. Charitable and nonprofit organizations should have better supervision and oversight. Jordan's cross-border currency reporting should include outbound declarations. Jordan should draft, pass and implement legislation which meets international standards concerning terrorist financing. The AML Law should be amended to include as predicate offenses to money laundering all crimes addressed by international standards as well as any offense or act that causes a loss of revenue to the Kingdom in excess of JD 10,000 (approximately $14,100). Many offenses that generate large illicit sums that are currently outside of the reach of the AML Law's definition of money laundering could be targeted.

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:

Information not 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.

Korea, Democratic Republic of

In the past, citizens of the Democratic People's Republic of Korea (DPRK) have been apprehended in international investigations for trafficking in narcotics and other forms of criminal behavior, including producing and distributing counterfeit U.S. currency (including $100 "super notes") and trading in counterfeit products, such as cigarettes and patented pharmaceuticals like Viagra and Cialis. There have also been reports of the DPRK smuggling ivory from Africa. There is substantial evidence that North Korean governmental entities and officials have been involved in the laundering of the proceeds of illicit activities and that they continue to be engaged in illegal activities, including activities related to counterfeiting, through a number of front companies. The illegal revenue garnered from these sources provides desperately needed foreign hard currency for the DPRK economy. The need for foreign currency became especially acute after the June 2009 passage of UN Security Council Resolution 1874.

Offshore Center:

No information available.

Free Trade Zones:

No information available.

Criminalizes narcotics money laundering: See below

Criminalizes other money laundering, including terrorism-related:

On October 25, 2006 the Standing Committee of the Supreme People's Assembly of the DPRK adopted a law "On the Prevention of Money Laundering." The law states the DPRK has a "consistent policy to prohibit money laundering." However, this law is significantly deficient in most important respects, and

there is no evidence that it has been implemented.

Criminalizes terrorist financing:

(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:

No information available.

Bank records retention:

No information available.

Suspicious transaction reporting:

No information available.

Large currency transaction reporting:

No information available.

Narcotics asset seizure and forfeiture:

No information available.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements:

No information available.

Cooperation with foreign governments (including refusals):

No information available.

U.S. or international sanctions or penalties:

On September 15, 2005, the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) designated Macau-based Banco Delta Asia (BDA) as a primary money laundering concern under Section 311 of the USA PATRIOT Act and issued a proposed rule regarding the bank, citing the bank's systemic failures to safeguard against money laundering and other financial crimes. In its designation of BDA as a primary money laundering concern, FinCEN cited "the involvement of North Korean Government agencies and front companies in a wide variety of illegal activities, including drug trafficking and the counterfeiting of goods and currency." Treasury finalized the Section 311 rule in March 2007, prohibiting U.S. financial institutions from opening or maintaining correspondent accounts for or on behalf of BDA. This rule remains in effect.

On October 11, 2008 the United States Government formally removed North Korea from the U.S. list of state sponsors of terrorism.

In response to concerns that North Korea had conducted nuclear testing, the UN Security Council (UNSC) adopted Resolution 1718 on October 14, 2006, which aimed to prevent a range of nuclear, ballistic missile, and other weapons of mass destruction -related equipment and technology from entering or leaving the Democratic People's Republic of Korea. The Resolution imposes an asset freeze and travel ban on persons related to the nuclear weapon program. Similar concerns gave rise to the adoption of Resolution 1874 on June 12, 2009, calling for member states to prevent the provision of financial services or any financial or other assets or resources that could contribute to North Korea's nuclear, ballistic missile, or other weapons of mass destruction-related programs or activities. Resolution 1874 also

demands that North Korea immediately comply with UNSCR 1718, which includes a ban on the transfer of luxury goods to North Korea.

In addition, FinCEN issued an initial advisory on June 18, 2009 (amended December 18, 2009) on North Korea Government Agencies' and Front Companies' Involvement in Illicit Financial Activities. In light of the financial measures in UNSCRs 1718 and 1874, and the use of deceptive financial practices by North Korea and North Korean entities, as well as individuals acting on their behalf to hide illicit conduct FinCEN advised all U.S. financial institutions to take commensurate risk mitigation measures.

Enforcement and implementation issues and comments:

The DPRK has not taken any steps to establish and implement a viable anti-money laundering/counter-terrorist financing regime.

U.S.-related currency transactions:

Citizens and government officials have been accused and apprehended for producing and distributing counterfeit U.S. currency.

Records exchange mechanism with U.S.:

None

International agreements:

The DPRK 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

The DPRK is not a participant in any Financial Action Task Force-style regional body (FSRB).

Recommendations:

The DPRK should develop a viable anti-money laundering/counter-terrorist financing regime that comports with international standards and participate in a FSRB. The DPRK also should become a party to the UN Convention for the Suppression of the Financing of Terrorism, the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

Korea, Republic of

The Republic of Korea (ROK) is not considered an attractive location for international financial crimes or terrorist financing. Most money laundering appears to be associated with domestic criminal activity or corruption and official bribery. Laundering the proceeds from illegal game rooms, customs fraud, exploiting zero value added tax (VAT) rates applied to gold bars, trade-based money laundering, counterfeit goods and intellectual property rights violations are all areas of vulnerability. Criminal groups based in South Korea maintain international associations with others involved in human trafficking, contraband smuggling and related organized crime. As law enforcement authorities have gained more expertise investigating money laundering and financial crimes, they have become more cognizant of the problems.

Offshore Center:

No information available.

Free Trade Zones:

South Korea has a number of free economic zones (FEZs) that enjoy certain tax privileges. However, companies operating within them are subject to the same general laws on financial transactions as companies operating elsewhere. Korea mandates extensive entrance screening to determine companies' eligibility to participate in FEZ areas, and firms are subject to standard disclosure rules and criminal laws. In 2007, Korea had six FEZs. Incheon International Airport has been incorporated into the FEZs.

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

Forty kinds of serious crimes are predicate offenses in Korea—two crimes under the Act on Special Cases Concerning the Prevention of Illegal Trafficking in Narcotics (1993) and 38 additional kinds of crimes, including economic crimes, bribery, organized crime, and illegal capital flight, under the Proceeds of Crime Act (POCA) (2001). In addition, the concealment and disguise of legally owned property for the purpose of tax evasion, illegal refunds, customs evasion or smuggling is considered to be money laundering for the purposes of filing suspicious transaction reports (STRs).

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/)

South Korea's Prohibition of Financing for Offenses of Public Intimidation Act took effect in December 2008, and is intended to implement the UN Convention for the Suppression of the Financing of Terrorism; however, it is unclear whether it criminalizes the sole raising of terrorist funds. An amendment expanding the ROK Government's (ROKG) ability to confiscate funds related to terrorism was enacted in March 2009. The amendment adds the Prohibition act to the list of laws covered under the POCA. As a result, the ROKG is now able to confiscate the direct proceeds of terrorism but also funds and assets derived from those proceeds.

Know-your-customer rules: Yes

In Korea, financial institutions are required to conduct customer due diligence under the Act on Real Name Financial Transactions and Guarantee of Secrecy (RNFTA), effective 1993, and the Financial Transaction Reports Act, as amended in December 2008. The RNFTA effectively prohibits anonymous accounts and accounts in obviously fictitious names and requires financial institutions to verify the identity of their customers.

Bank records retention: Yes

There is no specific law or regulation establishing a general record keeping obligation for the purposes of anti-money laundering/counter-terrorist financing (AML/CFT) compliance. Nevertheless, record keeping obligations exist in several laws, primarily those concerning commercial and taxation activities, and these apply to those institutions which are subject to AML/CFT obligations. Obligated entities must keep documentation concerning customer identification, transaction records and the grounds for suspicion for five years from the date a suspicious transaction report is filed.

Suspicious transaction reporting: Yes

Money laundering controls are applied to bank and non-bank financial institutions, such as exchange houses, stock brokerages, casinos, insurance companies, merchant banks, mutual savings banks, finance companies, credit unions, credit cooperatives, trust companies, and securities companies. The Financial Transaction Reports Act establishes STR obligations for designated non-financial businesses and professions. The STR system was strengthened in 2004 with the lowering of the mandatory STR filing threshold from 50 to 20 million won (approximately $17,200). The KFIU plans to abolish the threshold in the long term, to mandate all suspicious transactions be reported. All obligated entities are required to report STRs to the Korea Financial Intelligence Unit (KFIU).

Large currency transaction reporting: Yes

A cash transaction report system was implemented in January 2006. The current threshold of KRW 30 million (approximately $25,800), adopted in January 2008, was reduced to KRW 20 million (approximately $17,200) in January 2010.

Narcotics asset seizure and forfeiture:

In November 2001, Korea established a system for identifying, tracing, freezing, seizing, and forfeiting assets related to narcotics offenses and/or other serious crimes. The Bank Account Tracing Team under the Narcotics Investigation Department of the Seoul District Prosecutor's Office is responsible for tracing and seizing drug-related assets.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: Yes

Korea has a declaration system for cross border movement of currency and bearer negotiable instruments. Any resident or non-resident who intends to export or import means of payment exceeding $10,000 or the equivalent is required to report this to the Korea Customs Service.

Cooperation with foreign governments:

No impediments to cooperation are known to exist.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Officials charged with investigating money laundering and financial crimes are beginning to widen their scope to include crimes related to commodities trading and industrial smuggling, and continue to search for possible links between domestic illegal activities and international terrorist activity.

Korean government authorities continue to investigate the underground alternative remittance systems used to send illegal remittances abroad by South Korea's approximately 460,000 documented foreign workers from Asia, as well as thousands of undocumented foreign workers (mainly ethnic Koreans from China, Mongolia, Uzbekistan, and Russia). According to an October 2009 report by the Korea Customs Service, there were 2,258 underground remittance cases worth 3.28 trillion won (approximately $2.97 billion) in 2008, and 1,356 cases totaling 2.3 trillion won (approximately $1.9 billion) in the first eight months of 2009.

The KFIU circulates to its financial institutions the names of suspected terrorists and terrorist organizations listed on the UN 1267 Sanctions Committee's consolidated list, the list of Specially Designated Global Terrorists designated by the United States pursuant to Executive Order 13224, and those listed by the European Union under relevant authorities. No listed terrorist-related accounts have been reported in Korea. However, from 2003 to September 2008, Korea has detained or deported more than 74 people suspected of having ties to international terrorist networks.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

An extradition treaty between the United States and the ROK entered into force in December 1999. The United States and the ROK cooperate in judicial matters under a Mutual Legal Assistance Treaty, which entered into force in 1997.

International agreements:

The FIU continues to actively pursue information-sharing agreements with a number of countries. As of 2008, the FIU had signed memoranda of understanding with 39 countries.

The ROK 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

The ROK became a member of the Financial Action Task Force (FATF) in October 2009. South Korea also is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found here:

http://www.apgml.org/documents/docs/17/Korea%20MER%202009.pdf

Recommendations:

The Republic of Korea Government should continue its policy of active participation in international AML/CFT efforts, both bilaterally and in multilateral fora. Spurred by enhanced local and international concern, Korean law enforcement officials and policymakers now understand the potential negative impact of such activity on their country, and are taking steps to combat its growth. The ROK should take steps in the short term rather than long term to eliminate the STR reporting threshold. The ROKG should become a party to the UN Convention against Transnational Organized Crime.

Kosovo

The Republic of Kosovo declared independence on February 17, 2008, after being administered by the United Nations Interim Administrative Mission in Kosovo (UNMIK) since 1999. Kosovo is located on the Balkan Peninsula in southeastern Europe. Less than two years old, Kosovo is in the process of drafting and implementing new laws to address money laundering and financial crimes, as well as developing the necessary framework to execute this legislation. There is a shortage of resources, both monetary and human, to review and draft required legislation needed for the short- and long-term. Kosovo faces many challenges: a struggling economy with high unemployment; corruption; crime; and weak adherence to, and respect for, the rule of law. Kosovo is not considered an important regional financial or offshore center, and does not play a significant role in terms of money laundering. The country does, however, have an active black market for smuggled consumer goods and pirated products. According to the Customs Service, significant amounts of cigarettes and fuel are smuggled into the country. There is no indication that these smuggled items are funded by narcotic or other illicit proceeds. Illegal proceeds from domestic and foreign criminal activity are generated from official corruption, tax evasion, customs fraud, organized crime, contraband and other types of financial crimes. Most of the proceeds from smuggling activity are believed to go directly into the economy in areas such as construction and real estate, retail and commercial stores, banks, financial services, casinos and trading companies. Smaller amounts are thought to be laundered through the financial system. There is some evidence of trade-based money laundering in the form of over-and-under invoicing.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: See below

Criminalizes other money laundering, including terrorism-related:

UNMIK Regulation 2004/2 on the Deterrence of Money Laundering and Related Criminal Offenses criminalizes money laundering and all serious crimes related to money laundering, including terrorist financing.

Criminalizes terrorist financing:

(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/)

Kosovo criminalized terrorist financing with the implementation of Article 112 of the Provisional Criminal Code of Kosovo on July 6, 2003 (UNMIK Regulation 2003/25). This regulation calls for punishment by imprisonment for the facilitation of the commission of terrorism. According to the article, facilitation is understood to mean any action that provides, solicits, collects or conceals funds or other material resources used for the purpose of committing terrorism.

Know-your-customer rules: Yes

Banks and other financial institutions are required to know, record, and report the identity of customers engaging in significant transactions, including recording large currency transactions at the statutory threshold of 10,000 euros (approximately $14,000). There is currently no requirement to monitor the financial transactions of politically exposed persons.

Bank records retention: Yes

While financial institutions are required to maintain records on client identification, suspicious transactions, and transactions exceeding the threshold amount for a period of five years, there is no specific requirement to fully maintain records for the purpose of reconstructing transactions.

Suspicious transaction reporting: Yes

Banks, financial institutions, non-governmental organizations, political parties, attorneys, accountants, auditors, and non-bank business organizations are required by law to report suspicious transactions, including suspicious immovable property transactions. The current financial intelligence unit, the Financial Intelligence Center (FIC), was created in 2004 through UNMIK Regulation 2004/2.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture:

Pursuant to UNMIK Regulation 2004/2, prosecutors have the ability to bring a forfeiture action against the proceeds of a crime that are used, or intended to be used, to commit or facilitate money laundering, or the predicate offense from which the proceeds of the crime are derived. Such action may be brought regardless of whether criminal proceedings have been initiated against a person in connection with the property. There is also a provision allowing for temporarily securing property, and the law allows for civil and criminal forfeiture. However, there is no systematic process for identifying, tracing, freezing, seizing, or forfeiting criminal assets; while there appear to be adequate police powers and resources, there is a lack of technical capacity and expertise to enact these measures.

Narcotics asset sharing authority: No

There is no law authorizing the sharing of seized assets with other governments.

Cross-border currency transportation requirements: Yes

UNMIK Regulation 2004/2 requires persons entering or leaving Kosovo to declare monetary instruments (currency, traveler's checks, personal checks, etc.) in excess of 10,000 euros. The amount and source of the monetary instruments must be declared on a mandatory form that is submitted to the Customs Service at the point of entry or departure.

Cooperation with foreign governments:

No known impediments exist to cooperation.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

The FIC has no access to the records or databases of other government entities.

The number and types of obligated reporting subjects are abbreviated, leaving out casinos, real estate agents/brokers, precious metals/stones dealers and other mandated subjects.

Kosovo has circulated the list of individuals and entities included on the UN 1267 sanctions committee's consolidated list to financial institutions, as well as the list of terrorist organizations/financiers that the U.S. Government and the European Union have designated under relevant authorities. Kosovo did not find any evidence of terrorist financing activity in the past year.

U.S.-related currency transactions:

There is little indication that Kosovo's financial institutions engage in currency transactions that include significant amounts of U.S. currency or currency derived from illegal drug sales in the United States. There have been no reports of laundered money heading to the United States.

Records exchange mechanism with U.S.:

No information available.

International agreements:

The FIC has formal agreements in place to share information with the financial intelligence units of Albania, Montenegro and Macedonia.

Kosovo 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 - No
- the UN Convention against Corruption - No

Kosovo's Ministry of Foreign Affairs is undertaking a review of the agreements Kosovo can become a party to without being a member of the United Nations.

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

Recommendations:

While there are shortcomings in Kosovo's current legal foundation dedicated to anti-money laundering measures, Kosovo is committed to drafting and implementing the required legislation to meet international standards to combat money laundering and terrorist financing. Kosovo should make passing the necessary legislation, such as the draft Law on the Prevention of Money Laundering and Terrorist Financing, and the law to establish an agency to manage frozen and confiscated assets, priorities. As part of any new legislation, the Government of Kosovo should expand obligated reporting entities to include those non-financial businesses and professions that are not currently covered, including casinos, real estate brokers and dealers of high-value goods. Additionally, Kosovo's FIU should be given access to the records of other relevant government agencies to enable it to fulfill its responsibilities.

Kuwait

In Kuwait, illicit funds reportedly are generated largely as revenues from drug and alcohol smuggling into the country and the sale of counterfeit goods. The provision of financial support to terrorist groups, both by charities and by individuals utilizing cash couriers continues to be a major concern. The banking sector in Kuwait plays an important role in combating financial crimes. The Central Bank of Kuwait (CBK) reported in October 2009 total banking sector assets equal 40.2 KD billion. Kuwait has nineteen

banks: six conventional (commercial) banks, four Islamic banks, eight branches of foreign banks, and one specialized bank.

Offshore Center: No

Free Trade Zones: Yes

The Kuwait Free Trade Zone (KFTZ), located in Shuwaikh Port, is owned and operated by the Kuwait Ports Authority (KPA).

Criminalizes narcotics money laundering: Yes

On March 10, 2002, the Emir of Kuwait (Head of State) signed Law No. 35 which criminalizes money laundering. The anti-money laundering law imposes penalties which may be doubled if an organized group commits the crime or if the offender uses his professional position when committing the offense.

Criminalizes other money laundering, including terrorism-related: Partially

Law No. 35 does not specifically cite terrorist financing as a crime. Other types of terrorism offenses are handled under 'crimes against the state' statutes, but Kuwait does not prosecute terrorist financing.

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

Law 35 stipulates that banks and financial institutions must collect proper identification of all clients. The law applies to banks, other financial institutions, insurance agents, insurance brokers and companies; investment companies; exchange bureaus; jewelry establishments (including gold, metal and other precious commodity traders); real estate establishments and agents, and auditing firms In addition to Law No. 35, anti-money laundering reporting requirements and other rules are contained in CBK instructions No. (2/sb/92/2002). The instructions provide for, *inter alia*, customer identification and the prohibition of anonymous or fictitious accounts (Articles 1-5).

Bank records retention: Yes

Law 35 requires banks to keep records of transactions including customer identification information, for a minimum of five years.

Suspicious transaction reporting: Yes

Law No. 35 requires banks to file suspicious transaction reports (STRs) with the Office of Public Prosecution (OPP), who, in accordance with an MOU with the Central Bank, will in turn refer the STRs to the financial intelligence unit (FIU) within the CBK for analysis. The FIU conducts analysis and reports any findings to the OPP for the initiation of a criminal case. The vague delineations of the roles and responsibilities of the FIU, CBK, and OPP continue to hinder the overall effectiveness of Kuwait's anti-money laundering regime.

Large currency transaction reporting: Yes

According to the 2002 CBK instructions (Article 20), there is a requirement to report to the CBK all cash transactions in excess of approximately $10,000.

Narcotics asset seizure and forfeiture:

The CBK, upon notification from the Ministry of Foreign Affairs (MFA), issues circulars to institutions subject to supervision requiring them to freeze the assets of suspected terrorists and terrorist organizations listed on the UNSCR 1267 Sanctions Committee's consolidated list. Financial entities are instructed to

freeze any found assets immediately and for an indefinite period of time, pending further instructions from the Central Bank.

Narcotics asset sharing authority:

Provisions of Law No. 15/1960 states that seized funds will be disposed of in accordance with rules and procedures issued by the Finance Minister. Asset sharing is based on either ratified bilateral agreements or in accordance with a principle of reciprocal treatment.

Cross-border currency transportation requirements: Partially

Provisions of Article 4 of Law No. 35 require travelers to disclose to customs authorities upon entry if they are carrying any national or foreign currency, gold bullion, or other precious materials valued in excess of 3,000 Kuwaiti dinars (approximately $10,900). However, the law does not require individuals to file declaration forms when carrying cash or precious metals when exiting Kuwait. Currency smuggling into Kuwait is criminalized under Law No. 35. There was one case of currency smuggling reported in 2008, which has not gone to court. The case reportedly involved smuggling of counterfeit U.S. dollar bills, euros and Gulf Cooperation Council (GCC) currencies.

Cooperation with foreign governments:

Kuwait cooperates on a case-by-case basis with other jurisdictions on financial crimes investigations and enforcement.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Kuwait has had difficulty implementing the current anti-money laundering law due in part to structural inconsistencies within the law itself. Law No. 35 does not mandate that the FIU act as the central or sole unit for the receipt, analysis, and dissemination of STRs. Banks in Kuwait are required to file STRs with the OPP, rather than directly with the FIU. The FIU analysis is limited due to its inability to effectively analyze STRs and its inability to share information without prior approval from the OPP. The FIU is operating under the direct supervision of the CBK which means it is not an independent body in accordance with international standards.

Cash reporting requirements are not uniformly enforced at ports of entry (except at Kuwait International Airport and the Al-Abdali Border point).

Kuwait's financial crimes enforcement and investigative capacity is weak.

In December 2009, the Government of Kuwait (GOK) provided an amended version of Law Number 35 to parliament for review and ratification. The amendment includes the restructuring of the FIU, inclusion of definitions of roles and responsibilities, and criminalization of terrorist financing. However, similar amendments have been provided to parliament for the last several years and have not been enacted into law.

U.S.-related currency transactions:

There is no evidence US currency is used in any significant volume in licit or illicit transactions.

Records exchange mechanism with U.S.:

Kuwait and the United States do not have a mutual legal assistance agreement, although negotiations are in process.

International agreements:

Kuwait 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

Although the GCC is a full member of the Financial Action Task Force (FATF), individual member countries of the GCC are not. Kuwait has played an active role in the Middle East North Africa Financial Action Task Force (MENAFATF) through its participation in drafting regulations and guidelines pertaining to charities oversight and cash couriers. Kuwait's mutual evaluations are conducted jointly by the FATF and MENAFATF. No mutual evaluation is available for Kuwait.

Reco*mmendations:*

In order to bring Kuwait into compliance with international standards, the Government of Kuwait (GOK) should criminalize terrorist financing and ratify and implement fully the UN International Convention for the Suppression of the Financing of Terrorism. Kuwait should take steps to implement and enforce a uniform cash declaration policy for both inbound and outbound travelers at all its ports. The FIU should be given true operational independence and strengthened so it can serve as the national center for the receiving, analysis and dissemination of STRs and other information regarding potential money laundering or terrorist financing. Also, the GOK should take measures to bring its FIU into compliance with the standards set out for Egmont Group membership and consider joining that organization. Kuwait customs, police and prosecutors should be made aware of money laundering methodologies and initiate inquiries and investigations without waiting for the filing and dissemination of a STR.

Kyrgyz Republic

The Kyrgyz Republic is not a regional financial center. The Kyrgyz banking system remains comparatively underdeveloped. Like other countries in the region, the Kyrgyz Republic's alternative remittance systems are susceptible to money laundering activity or trade-based fraud. Money laundering and terrorist financing primarily occur through trade-based fraud and bulk cash carriers. Narcotics trafficking, the smuggling of consumer goods, tax and tariff evasion, and official corruption continue as major sources of illegal proceeds within the Kyrgyz Republic. The lack of political will and inter-agency cooperation, resource constraints, inefficient financial systems, and corruption all serve to stifle efforts to effectively combat money laundering and terrorist financing.

Offshore Center: No

Free Trade Zones: There are four Free Economic Zones (FEZs) in the Kyrgyz Republic: Bishkek, Naryn, Karakol and Maimak. Each is situated to make use of transportation infrastructure and/or customs posts along the Kyrgyz borders. Goods entering and traded within the zones are duty free within the Kyrgyz Republic. Government incentives for investment in the zones include exemption from several taxes, duties and payments; simplified customs procedures; and direct access to utility suppliers. The production and sale of petroleum, liquor, and tobacco products in FEZs are banned.

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related:

In 2009, the legislature passed amendments to the 2006 law on "Counteracting Terrorist Financing and Legalization of Proceeds from Crime (Money Laundering) (ML/TF Law)." The law defines predicate offenses as crimes under the Kyrgyz Criminal Code, and criminalizes income obtained as a result of a criminal action. The money laundering controls are applied equally to all banking and non-banking financial institutions, to include banks, credit institutions, stock brokerages, foreign exchange offices, casinos, and insurance companies. Recent amendments expand the list to include: notaries, tax consultants/auditors, realtors, the state's property agency, trustees, jewelry stores and dealers.

Criminalizes terrorist financing:

(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 2009 Kyrgyzstan introduced amendments to the Criminal Code, Article 226-1, which criminalize terrorist financing.

Know-your-customer rules:

Customer identification must be carried out when establishing business relations or when carrying out occasional transactions (irrespective of any threshold), including all wire transfers.

Bank records retention: Yes

All Kyrgyz financial institutions must retain records for five years after closure of the account. Documents related to customer identification and customer transactions should be kept for a period of ten years.

Suspicious transaction reporting: Yes

The ML/TF Law requires mandatory reporting of suspicious transactions. The Kyrgyz Financial Intelligence Service (FIS), the Kyrgyz financial intelligence unit, collects and analyzes information related to financial and suspicious transactions. Since 2006, there have been nine cases referred to the Financial Police by the FIS. Of those, two were investigated and none prosecuted to date.

Large currency transaction reporting:

The statutory threshold amount that triggers mandatory reporting is $25,000.

Narcotics asset seizure and forfeiture:

The 2009 amendments address the issue of asset forfeiture. Procedures for seizing and forfeiting assets derived from criminal activity need to be clarified. Kyrgyz law enforcement and other competent bodies including the FIS are not adequately empowered to identify and find property subject to confiscation or property suspected of being the proceeds of a crime. There is no provision under Kyrgyz law to allow for civil forfeiture.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements:

The import and export of currency is not subject to any restrictions provided it is declared at the customs control points. The law "On Operations in Foreign Currency" does say that the transportation of currency valuables (gold, precious metals and other means that can be changed into currency) is to be declared but this does not include bearer negotiable instruments.

Cooperation with foreign governments (including refusals):

Chapter IV of the money laundering law does provide for an international exchange of information and legal assistance. The law mandates that the FIS, in compliance with international treaty obligations, collaborate with foreign counterparts in financial intelligence and terrorist financing matters.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Oversight of the banking sector is generally weak, and Kyrgyz law enforcement agencies lack the expertise and resources necessary to effectively monitor and investigate financial irregularities.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

The FIS shares information with FinCEN.

International agreements:

In May 2009, the FIS became a member of the Egmont Group of financial intelligence units. It now shares information with other member FIUs.

The Kyrgyz 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 Kyrgyz Republic is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism, a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.eurasiangroup.org/en/mers.html

Recommendations:

The Government of the Kyrgyz Republic should continue to strengthen its anti-money laundering/counter-terrorist financing legislation. In addition, the Kyrgyz Republic should increase and enhance training in money laundering and terrorist financing investigative techniques and devote sufficient resources to entities with responsibilities under the legislation. The GOK should review its reporting threshold for large transactions to determine its appropriateness.

Laos

The opportunities and conditions for money laundering and related financial crimes in Laos have increased over the past year and the lack of an effective and comprehensive legal and regulatory framework along with even less effective implementation of the existing framework leaves the country vulnerable to abuse. Illegal timber harvesting, official corruption, cross-border smuggling of goods and currency, high value used cars, illicit proceeds from the sale of methamphetamine and opiates, including heroin, and domestic crime may all be sources of illicit funds. In 2009, the Lao Government endorsed an estimate of the value of the illicit drug economy to be about ten percent of GDP or up to $750 million. There are continued reports of illicit funds being diverted into hotel construction, resort development, mining ventures, golf courses, luxury real and personal property, and industrial tree cropping projects. In addition, Laos receives a large amount of development assistance from overseas donors and there are concerns that a substantial portion of these monies are stolen or otherwise diverted. In recent years a number of private sector financed projects and/or parastatal enterprises in the hydropower, mining, and construction sectors have started to generate revenues to the government but reliable public reporting of these revenues is often lacking and the possibility exists of theft and/or diversion. Anecdotal evidence indicates that bulk cash generated from illicit activities is often smuggled across borders and deposited in accounts in Thailand, China, and Vietnam.

Offshore Center: No

Free Trade Zones: Yes

In 2009, the Lao government approved two new special economic zones in Luang Namtha and Bokeo provinces to be developed and managed by Chinese private companies. The Savan-Seno Special economic zone, in Savannakhet Province, was established in 2005 and is managed by a Malaysian firm.

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

Money laundering is a criminal offense in Laos and covered in at least two separate decrees. The penal code contains a provision adopted in November 2005 (Article 64) that criminalizes money laundering and provides sentencing guidelines. On March 27, 2006, the Prime Minister issued decree No. 55/PM on anti-money laundering. The decree is roughly equivalent to a law.

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/)

A revision to the penal law in November 2005 includes Article 58/2 which makes financing terrorism punishable by fines, prison sentences, and the possibility of the death penalty.

Know-your-customer rules: Yes

Chapter III, Article 7 of the Guidelines on Anti Money Laundering Procedures and Operational Controls of Reporting Institutions under Supervision of the Bank of Lao, PDR addresses customer due diligence.

Bank records retention: Yes

All records are to be maintained for at least ten years after the account has been closed or the business relationship with the customer has been terminated, or for transaction-related records, for ten years from the date the transaction was conducted.

Suspicious transaction reporting: Yes

Financial institutions are required to submit suspicious transaction reports (STRs) to the Anti-Money Laundering Intelligence Unit (AMLIU), the Lao financial intelligence unit (FIU). Other reporting entities (e.g., casinos, money service businesses, pawn shops, dealers in precious metals, etc.) designated in the anti-money laundering (AML) decree are not believed to be supervised at all for AML purposes. In October 2007, the Bank of Laos issued a guideline for suspicious transaction reporting (No. 66). To date only a small number of reports has been received by AMLIU and none are known to have resulted in referrals to law enforcement. AMLIU does not have, at this point, the data, technical means, analytic capacity, and procedural means to detect and refer such cases.

Large currency transaction reporting: No

The AMLIU is mandated to establish transaction thresholds for mandatory reports but a lack of technical ability has prevented AMLIU from receiving such reports.

Narcotics asset seizure and forfeiture:

The Prime Minister's 2006 decree on money laundering specifically authorizes asset seizures but there is no established procedure to implement this program. The "Law on Drugs and Article 146 of the Penal Code" promulgated in early 2008 also allows for the seizure of assets from drug traffickers (Article 35). However, again, the legal and procedural processes are not specified, and thus neither the prosecutors nor the court system have taken any legal action regarding asset seizures. There is anecdotal evidence that, in the provinces, seized assets of drug traffickers such as vehicles and cash may be held and used by the state at the local level. No legal asset seizures related to narcotics trafficking or terrorism were reported in 2008 or 2009.

Narcotics asset sharing authority:

No information available. Lao laws and regulations regarding asset seizures are not clear and as yet, unenforceable. .

Cross-border currency transportation requirements: Yes

When carrying cash inbound and outbound across international borders, Laos requires a declaration for amounts over $5,000. Failure to show a declaration of incoming cash when exporting it could lead to seizure of the money or a fine, although in practice that is unlikely to occur.

Cooperation with foreign governments:

The lack of an asset forfeiture regime could hinder Lao assistance in money laundering or terrorist financing investigations and assistance requests.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

The gambling industry represents a particularly large and growing vulnerability. The industry continued to grow in 2009 with the opening of two new casinos. Although the ownership structure is not positively known, one of these, the "Savan Vegas Casino" at Savannakhet Province on the Thai border, is reportedly owned by Macao interests. The second and largest casino complex, the "Golden City Casino", was built at a reported cost of $2.2 billion, again reportedly with Macao-based funds, and opened in the "Golden Quadrangle" area in northern Laos situated near Thailand, Burma, and China. The project includes housing for some 10,000 Chinese workers. There are rumors of two new casinos planned for 2010. The casinos are regulated by the Ministry of Culture and Information, which has no known AML controls in place as part of its regulatory regime for casinos. It is not clear what, if any regulatory authority exists for casinos located inside "special economic zones."

The Bank of Laos has circulated to financial institutions the consolidated list of the UN 1267 Sanctions Committee, although the regularity of such circulation is not known.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

No information available.

International agreements:

Laos 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 Government of Laos is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. Laos will be subject to its first mutual evaluation in 2010.

Recommendations:

The Government of Laos (GOL) should place priority upon full implementation of its existing anti-money laundering/counter-terrorist financing (AML/CFT) decrees. Training and awareness programs should be undertaken for appropriate supervisory, law enforcement, FIU and prosecutorial personnel as well as the judiciary. Furthermore, outreach should be made to entities subject to the reporting requirements of the decrees to make them aware of their compliance responsibilities. The GOL should ensure all entities not supervised by the Bank of Laos, especially the new casinos, are adequately supervised and monitored for AML/CFT compliance. Appropriate steps should be taken to ensure forfeited assets are accounted for and disposed of in accordance with the laws.

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.

Lesotho

Lesotho is not a financial center. Authorities do not believe money laundering/terrorist financing occurs in the formal sector. However, there are some financial sector frauds such as those that occur in banks and insurance companies in the form of defrauding of companies and some government departments. It is believed laundered funds are carried across the border as currency. Ostensibly, no transfers are allowed outside the formal financial system; however, in practice, informal money transfer and remittance systems are in use, especially by the growing Chinese community that does not use local banks.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

The Money Laundering and Proceeds of Crime Act 4 of 2008 (MLPCA) was passed in April 2009. This legislation criminalizes money laundering beyond narcotics trafficking. Lesotho uses an "all serious crimes" approach to predicate offenses. The law covers banks, money exchangers, insurance companies, securities firms, and designated non-financial businesses and professions. However, because the law is so new, mechanisms have not yet been put in place to implement these provisions for most entities.

Criminalizes terrorist financing: Yes

The MLPCA criminalizes terrorist financing.

Know-your-customer rules: Yes

In addition to the MLPCA, the Financial Institutions (Anti-Money Laundering) guidelines of 2000 require financial institutions to establish and maintain specific policies and procedures to guard against the use of the financial system for the purpose of money laundering.

Bank records retention: Yes

Financial institutions are required to maintain, for a period of ten years, all necessary records to enable them to comply with information requests from competent authorities.

Suspicious transaction reporting: Yes

Under Central Bank of Lesotho (CBL) guidelines, banks report suspicious transactions to the CBL. The MLPCA provides for the filing of suspicious transaction reports (STRs) with the new financial intelligence unit (FIU) authorized by the law. The FIU is in the process of being established. The CBL reported it received less than ten STRs in both 2008 and 2009.

Large currency transaction reporting: Yes

The Government of Lesotho (GOL) requires banks to report all transactions exceeding 100,000 maloti (approximately $14,000) to the Central Bank.

Narcotics asset seizure and forfeiture:

The MLPCA provides for the identification, tracing, freezing, seizure and eventual confiscation of assets and the Central Bank, Police, and the Directorate of Corruption and Economic Offenses (DCEO), through the powers of the attorney general, are responsible to trace, freeze and seize narcotics-related assets. Any

assets proved to have been used to facilitate the commission of a serious crime or that are the proceeds of such activity, including bank accounts, can be seized. If the actual assets are not available, substitute payments of a comparable amount can be ordered by the court. Both civil and criminal forfeiture are allowed. There is no independent national system and mechanism for freezing terrorist assets; the government relies on normal court procedures. No assets have been frozen, seized or confiscated as of yearend 2009.

Narcotics asset sharing authority: Yes

Cross-border currency transportation requirements: No

There are no mandatory declaration forms used at border crossings. The new MLPCA will enhance the declaration system and allow for seizure of currency.

Cooperation with foreign governments:

Lesotho is a member of various bodies which seek to fight money laundering, and the law provides for international cooperation.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

There were no arrests, prosecutions or convictions for money laundering or terrorist financing in 2009.

The CBL circulates to financial institutions a list of websites that contain lists of individuals and entities that have been included on the UN 1267 sanctions committee consolidated list of terrorist organizations/financiers.

U.S.-related currency transactions: No

Records exchange mechanism with U.S.:

There are no specific agreements for the exchange of records with United States authorities.

International agreements:

Lesotho 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

Lesotho is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force-style regional body. It has not yet had a mutual evaluation.

Recommendations:

The adoption of the new anti-money laundering/counter-terrorist financing legislation in 2009 is a good step forward for Lesotho. The Government of Lesotho should provide the necessary resources to build capacity in all relevant ministries and entities, establish the authorized FIU, and fully implement the new law.

Libya

Libya is not considered to be an important financial center. The Libyan economy depends primarily upon revenues from the oil and gas sector, which constitute over 70 percent of GDP. Libya has a cash-based economy and large underground markets. Libya is a destination and transit point for smuggled goods, particularly alcohol and black market/counterfeit goods from sub-Saharan Africa, Egypt and China. Contraband smuggling includes narcotics, particularly hashish/cannabis and heroin. Libya is not

considered to be a production location for illegal drugs, although its geographic position, porous borders and limited law enforcement capacity make it an attractive transit point for illegal drugs. Libya is a transit and destination country for men and women trafficked from sub-Saharan Africa and Asia. Hawala and informal value transfer networks are present. In general, training and resources are lacking for anti-money laundering awareness and countermeasure implementation. A considerable transition time is anticipated while Libya's banking system is reformed and gradually reintegrated into the international system following the lifting of UN and U.S. sanctions.

Offshore Center: No

Free Trade Zones: Yes

A Free Trade Zone is located in the city of Misrata, 210 kilometers east of Tripoli. Projects in the free zone enjoy tax and customs exemptions.

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

Money laundering is illegal in Libya, and terms and penalties are defined in Banking Law No. 2 of 2005 on Combating Money Laundering. Predicate offenses are dealt with under Libya's Penal Code, Criminal Procedures Law, and related supplementary laws.

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

Libyan banks are required to record and report the identity of customers for all transactions.

Bank records retention: Yes

Records of all transactions are retained for a considerable (but indeterminate) period, although a lack of computerized records and systems, particularly in remote areas of the country, preclude reliable record keeping and data retrieval.

Suspicious transaction reporting:

Libya's Banking Law No. 1 extends the scope of money laundering controls and penalties to non-banking financial institutions. All entities, either financial or non-financial in nature, are required to report money laundering activity to Libyan authorities under penalty of law. Banking Law No. 2 directs the Central Bank to establish a Financial Information Unit (FIU), Libya's financial intelligence unit.

Large currency transaction reporting:

No information available.

Narcotics asset seizure and forfeiture:

No information available.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements:

No information available.

Cooperation with foreign governments:

No information available.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

There is no reliable information on the number of filed suspicious transaction reports or on the scope of prosecutions and convictions.

It is illegal to transfer funds outside of Libya without the approval of the Central Bank. Cash courier operations are in violation of Libyan law. It is estimated that up to ten percent of foreign transfers are made through illegal means (i.e., not through the Central Bank). Between 1.5 and 2 million foreigners are thought to live and work in Libya in violation of immigration laws. Funds transfers by migrant workers (mainly from sub-Saharan Africa and Asia) are difficult for the Libyan government to monitor, particularly transfers by criminal organizations.

Informal hawala money dealers (muhawaleen) exist in Libya, and are often used to facilitate trade and small project finance. Given the poor quality and limited reach of Libya's banking system, Libya's socialist practices, and commercial rivalries among regime insiders that discourage disclosure of income and business transactions, many Libyans and foreigners rely on informal mechanisms for cash payments and transactions. Until the recent revision of the tax code, tax rates of up to 80-90 percent also encouraged off-the-book transactions.

The GOL has demonstrated some willingness to circulate UN and U.S. lists of terrorist entities; however, there are no indications to suggest that the GOL has made any effort to freeze, seize or forfeit assets of suspected terrorists or financiers of terrorism.

U.S.-related currency transactions:

There are no indications that currency transactions in Libya involve international narcotics trafficking proceeds or 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.

Records exchange mechanism with U.S.:

No information available.

International agreements:

Libya 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

Libya is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force-style regional body. It has not yet had a mutual evaluation.

Recommendations:

The Government of Libya (GOL) should enact counter-terrorist financing legislation and adopt anti-money laundering and counter-terrorist financing policies and programs that adhere to international standards. Libya should continue to modernize its banking sector and adopt procedures that provide full transparency. Tax reform should continue so as to shrink the underground economy. Appropriate entities should become familiar with money laundering and terrorist financing methodologies. In particular, Libyan law enforcement and customs authorities should examine the underground economy, including smuggling networks, and informal value transfer systems. The GOL should continue measures aimed at

combating corruption in government and commerce. The GOL should endeavor to provide statistics on the number of money laundering investigations, prosecutions, and convictions.

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.

Lithuania

Lithuania is not a regional financial center**.** Lithuania has adequate legal safeguards against money laundering; however, its geographic location makes it a target for smuggled goods and tax evasion. The sale of narcotics does not generate a significant portion of money laundering activity in Lithuania. Value added tax (VAT) fraud is one of the biggest sources of illicit income, through underreporting of goods' value. Most financial crimes, including VAT embezzlement, smuggling, illegal production and sale of alcohol, capital flight, and profit concealment, are tied to tax evasion by Lithuanians**.** According to the Financial Crime Investigation Service (FCIS), attempts to use the Lithuanian banking system in money laundering activities related to cyber and organized crimes have increased. Experts anticipate that smuggling into Lithuania will increase after its adoption of the minimum European Union (EU) excise rate in September 2009. According to a survey conducted by the Lithuanian Free Market Institute, the shadow economy will account for approximately 23 percent of the total gross domestic product of

Lithuania in 2009 and will make up approximately 27 percent of the entire economy in 2010. There are no reports of public corruption contributing to money laundering or terrorist financing. There is also no evidence that terrorist financing is taking place in Lithuania.

Offshore Center: No

Free Trade Zones: Yes

Lithuania has Free Economic Zones (FEZ) in the cities of Klaipeda and Kaunas. As of yearend 2009, there are 20 businesses operating in the Klaipeda FEZ, and eight in the Kaunas FEZ. The companies operating in the zones have the same accounting and identification responsibilities as those operating outside the zones. Lithuania's EU accession agreement permits the indefinite operation of existing free trade zones, but precludes the establishment of new ones.

Criminalizes narcotics money laundering: Yes

The Government of Lithuania (GOL) criminalized the act of money laundering in 1997 with the Law on the Prevention of Money Laundering (LPML), which entered into force in 1998.

Criminalizes other money laundering, including terrorism-related: Yes

Article 216 of the Criminal Code, passed on May 1, 2003 defines a money launderer and includes coverage of self laundering. On January 24, 2008, the law on Money Laundering and Terrorist Financing Prevention (MLTFP) came into force. The goal of the new law was to amend existing legislation to agree with a number of EU directives and regulations. It specifies definitions for money laundering, and terrorist financing; expands the list of covered entities and defines beneficial owner and politically exposed persons. In 2008, the GOL also adopted four legal acts necessary for the implementation of the MLTFP.

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 MLTFP criminalizes terrorist financing. The Criminal Code prescribes a penalty of imprisonment for crimes related to terrorist financing.

Know-your-customer rules: Yes

The Money Laundering and Terrorism Financing Prevention Law (MLTFPL) requires all financial institutions and other entities to perform customer due diligence and establishes guidelines for simplified and complex due diligence. For transactions exceeding 15,000 EUR (approximately $22,180), the MLTFP requires all financial institutions to collect information on the identity of the customer. The law also mandates that life insurance firms and insurance brokers establish the identity of the customer and the insured person, if the amount payable annually by the customer is in excess of 1,000 EUR (approximately $1,478) or the installment amount payable at a time exceeds 2,500 EUR (approximately $3,696). In addition, the law requires casinos to register all patrons who wager, win, or exchange currency for chips. Bearer shares are not restricted by Lithuanian legislation.

Bank records retention: Yes

Under the implementing acts for the MLTFPL, additional requirements for record keeping are provided, for individual and multiple interrelated financial operations, usual and suspicious operations, internal and external remittances, single exchanges of cash from one to another currency, etc. For transactions exceeding 15,000 EUR (approximately $22,180), the MLTFPL requires all financial institutions to maintain customer identification documents for a minimum of ten years.

Suspicious transaction reporting: Yes

The MLTFPL includes regulations for reporting on unusual and suspicious transactions. In the first nine months of 2009, the FCIS received 190 suspicious transaction reports (STRs). In 2008, FCIS received 199 STRs. FCIS reported, in the first nine months of 2009, it conducted nine pre-trial investigations for money laundering in comparison to ten in 2008. There were no reports on terrorist financing.

Large currency transaction reporting:

The MLTFPL requires financial institutions to submit to the FCIS information about the following transactions: (1) when the total amount of the customer's transfer in cash or of several interrelated transfers in cash exceeds 15,000 EUR (approximately $22,180), or the corresponding amount in foreign currency; (2) when cash exchanges exceed 6,000 EUR (approximately $8,872), or the corresponding amount in foreign currency; or, (3) when performing internal or international remittance transfer services in amounts in excess of 600 EUR (approximately $887), or the corresponding amount in foreign currency. During the first nine months of 2009, FCIS received over 600,000 reports on cash operations in compliance with the MLTFPL. There were over 1 million reports in 2008.

Narcotics asset seizure and forfeiture:

Article 216 of the Code increases the role of prosecutors. Previously, the police could freeze/seize assets on their own authority, but now they must go to prosecutors with the named property and receive authority to freeze/seize the assets of a suspected crime. The court can only seize property which the criminal or accomplice used as an instrument of a crime or a means to commit a crime or which was acquired as the direct result of a criminal act. In the first nine months of 2009, FCIS froze assets worth 70 million LTL (approximately $29 million). In 2008, FCIS froze assets worth 69 million LTL (approximately $25 million). There are no figures available for the total value of forfeited crime-related assets.

Narcotics asset sharing authority: No

Lithuania does not share crime-related assets with other governments.

Cross-border currency transportation requirements:

Individuals who enter Lithuania from a non-EU country or depart Lithuania to a non-EU country must declare to Customs cash they transport into or out of the country in excess of 10,000 EUR (approximately $14,786).

Cooperation with foreign governments:

There are no known impediments to cooperation. Lithuanian law enforcement cooperates with the United States in investigations and the exchange of information related to money laundering, financial crimes, terrorist financing and customs issues.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

According to police statistics, in the first ten months of 2009 there were 4,904 financial crimes in Lithuania in comparison to 2,868 in 2008. In the first nine months of 2009, Lithuania registered five criminal cases under Article 216 of the Criminal Code in comparison to seven in 2008. Two of the five cases were adjudicated. One person was convicted in one case; in the other case, the individual(s) were either not convicted or convicted under other statutes. The National Court Administration registered two cases under Article 250 (Act of Terrorism) in 2009. One case was adjudicated but there were no convictions for terrorist financing.

The State Security Department (VSD), the lead GOL agency coordinating efforts against terrorism, and the FCIS circulate to financial institutions the names of all terrorist 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.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

There is a mutual legal assistance treaty (MLAT) between the United States and Lithuania, which entered into force in 1999.

International agreements:

Lithuania and Germany signed an agreement in 2001 to cooperate in the fight against organized crime and terrorism. FCIS signed four agreements in 2004 covering cooperation against economic and financial crimes, money laundering, and the exchange of information with the European Anti-Fraud Office, the Azerbaijan Revenue Service, the Italian Guarda Di Finanza and the Estonian Tax and Customs Board. In September 2009, FCIS signed a protocol on cooperation with the Russian Federation. The GOL has signed memoranda on the exchange of money laundering-related financial and intelligence information with the financial intelligence units (FIUs) of Belgium, Croatia, the Czech Republic, Estonia, Portugal, Finland, Latvia, Bulgaria, Slovenia, Ukraine, Moldova and Poland.

Lithuania 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

Lithuania is a member of the Council of Europe's Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Lithuania_en.asp

Recommendations:

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

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 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 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.

Macedonia

Macedonia is not a regional financial center. A small portion of money laundering activity may be connected to narcotics trafficking. There is no evidence that narcotics trafficking organizations or terrorist groups control money laundering. Money laundering in Macedonia is mostly connected to financial crimes such as tax evasion, smuggling, financial and privatization fraud, insurance fraud, bribery, and corruption. The Macedonian courts levied criminal charges against several high level government officials for misuse of their official positions under the organized crime and corruption statute. Most of the laundered proceeds come from domestic criminal activities.

Offshore Center: No

Free Trade Zones: Yes

There are a few operational free trade zones in Macedonia, but all of them function as industrial zones within which some industrial production has the legal right to receive the benefits of a free trade zone. The production facilities enjoying these benefits are owned by foreign investors. The GOM is trying to attract more foreign investment by leasing out four large free trade zones. Identification requirements for companies and individuals using the zones are in place, and they are no different from requirements for other companies outside the zones, governed by the existing Trade Companies Law.

Criminalizes narcotics money laundering:

Macedonia's Criminal Code, which came into force in 1996 and was last amended on September 10, 2009, criminalizes any form of money laundering and terrorist financing. The legislation specifically identifies narcotics and arms trafficking as predicate offenses and contains an additional provision that covers funds acquired from other punishable actions.

Criminalizes other money laundering, including terrorism-related:

The 2008 Law on Preventing Money Laundering and Other Proceeds of Crime and Terrorism Financing (LPMLTF) does not list specific crimes as predicate offenses, instead choosing to take an "all serious crimes" approach with no minimum threshold for sentencing.

Criminalizes terrorist financing:

(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 LPMLTF provides a definition of terrorist financing that is in accordance with the 1999 International Convention for the Suppression of Terrorism. Parliament adopted amendments to the terrorism provisions in the Criminal Code that increase sentences and criminalize offenses committed by terrorist organizations, including terrorist financing. Draft legislation being circulated within the government will address the financing of individual terrorists.

Know-your-customer rules: Yes

The LPMLTF requires financial institutions and designated non-financial businesses and professions such as exchange offices, stock brokerages, insurance companies, audit and accounting companies, notaries, attorneys at law, and casinos to identify, report, and keep track of clients performing those transactions subject to reporting requirements.

Bank records retention: Yes

Banks and other financial institutions are required to maintain records necessary to trace significant transactions for up to ten years.

Suspicious transaction reporting: Yes

All entities covered by the LPMLTF must file suspicious transaction reports (STRs) with the financial intelligence unit (FIU). From January to October 2009, the FIU received 227 STRs compared with 89 during the same period in 2008. The FIU has submitted 27 reports and 96 notifications of suspicious transactions to relevant state institutions for further investigation. In 2009, the FIU sent two money laundering cases to the Public Prosecutor's Unit for Organized Crime and Corruption for further investigation and filing of criminal charges. In one of the cases, the FIU froze approximately $200,000.

Large currency transaction reporting: Yes

Under the LPMLTF covered institutions must report all cash transactions exceeding 15,000 euros (approximately $21,000). From January to October 2009, the FIU received 72,854 large cash transaction reports.

Narcotics asset seizure and forfeiture:

In September 2009, parliament adopted asset forfeiture and amendments to the Criminal Code, which created the possibility for a five-year window for asset forfeiture for offenders of serious and organized crime, particularly narcotics traffickers, terrorism financers, and money launderers. In addition, this law also contains provisions for confiscation from third parties and family members. The Criminal Code allows for substitute assets to be seized. The Agency for Management of Seized Property was established in March 2009. According to the LPMLTF, financial institutions can temporarily freeze assets of suspected money launderers and terrorist financiers prior to receiving a court order.

Narcotics asset sharing authority:

With the ratification of the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism in March 2009, the country can share seized assets with other governments.

Cross-border currency transportation requirements:

The Law on Foreign Exchange Operations requires the Customs Administration to register and report the cross-border transport of currency or monetary instruments in amounts that exceed 10,000 euros. Mandatory declaration forms are used at border crossings. The Customs Administration also has the authority to temporarily seize foreign and domestic currency at border crossings in cases where legal

regulations have been violated. From January to October 2009, the Customs Administration sent 821 reports to the FIU on cross-border transport of cash that exceeded the reporting limit.

Cooperation with foreign governments (including refusals):

In 2004, the Macedonian Parliament ratified the Second Additional Protocol to the Council of Europe's Convention on Mutual Legal Assistance in Criminal Matters. Macedonia has concluded a number of Police Cooperation Agreements with most countries in the region (Albania, Bulgaria, Croatia, Romania, Slovenia, Austria, Turkey, Greece, Russia, Ukraine, Egypt, and Kosovo). Macedonia also provides law enforcement information in connection with requests from other countries with which it lacks a formal information exchange mechanism. In 2009, the FIU cooperated with FinCEN on a money laundering case that derived from an investor scam in the US and also involved the US Securities and Exchange Commission (SEC) and the Macedonian SEC. Macedonian authorities detained one person, suspected to have laundered about $30 million, and informed FinCEN, which was also working on the case in the US.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

The LPMLFT excludes from the list of covered entities dealers of arts, antiques, and other high-valued consumer goods; entities dealing with jewelry and precious metals; and travel agencies.

Covered non-bank businesses and professions are to be inspected by the Public Revenues Office (PRO). However, in practice such inspections rarely occur, as PRO is focused on tax evasion.

In 2002, Macedonia established a Financial Police Unit (FPU) tasked with investigating financial crimes, bank fraud, tax evasion, terrorist financing, and money laundering cases. Despite a new Law on Financial Police in May 2007, making the FPU a separate legal entity with its own budget, and more precisely defining and enhancing the FPU's responsibilities, there is still overlap in many areas with the PRO, the Customs Administration, and especially with the regular police. In 2009 there were no convictions for money laundering or terrorist financing.

The FIU, the National Bank, and the Ministry of Finance circulate the lists of terrorist financing entities they receive. The authorities are allowed to identify named accounts, but require court orders before they can freeze and/or seize assets in those accounts.

U.S.-related currency transactions:

There is no evidence of currency transactions involving proceeds from narcotics trafficking, including transactions involving U.S. currency or currency derived from illegal drug sales in the United States.

Records exchange mechanism with U.S.:

No information available.

International agreements:

Macedonia has mutual legal assistance agreements with many countries. Macedonia's FIU has signed MOUs for information exchange on money laundering with 31 other FIUs.

Macedonia 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

Macedonia is a member of the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL), a Financial Action Task Force-style regional body. Its

most recent mutual evaluation can be found here:
http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/Evaluation_reports_en.asp

Recommendations:

The Government of Macedonia's enactment of new asset forfeiture laws in 2009 was a positive step forward. The GOM now needs to take additional steps to fully implement its legislation. Macedonia should provide the necessary resources and training to both government and private entities with responsibilities under the laws. The GOM should improve supervision of the non-bank financial sector, including bringing those designated non-financial businesses and professions not currently covered under the LPMLTF -- high value goods dealers, real estate and travel agencies – into the list of responsible entities. Macedonia also should clarify the roles of the various police entities to enhance cooperation and prevent unnecessary overlap and duplication of efforts.

Madagascar

Madagascar is not an important regional financial center. Due to the political crisis in Madagascar, illicit activities, public corruption, and associated money laundering appear to have increased in 2009. Tax and customs fraud, violation of the foreign exchange code, and illegal rosewood logging are the major sources of proceeds. Smuggling of gemstones, protected flora and fauna, and illegal drugs, to a lesser extent, also contributes to money laundering. Madagascar's inadequately monitored 3,000 mile coastline facilitates smuggling and money laundering. Criminal proceeds laundered in the country derive mostly from domestic criminal activity, but are often linked to international trade. It is suspected that most money laundering occurs through informal channels and is not tracked by the government.

Offshore Center: Yes

Offshore banks and international business companies are permitted in Madagascar. Along with domestic banks and credit institutions, offshore banks are required to request authorization from the Financial and Banking Supervision Committee (CSBF) which is affiliated with the central Bank.

Free Trade Zones:

There is no free trade zone, but producers of export commodities may apply for export processing zone (EPZ) status if they meet certain conditions. EPZ status is not restricted to a geographic area.

Criminalizes narcotics money laundering: Yes

In 1997, Madagascar criminalized money laundering related to narcotics trafficking with Law 97-039, which governs the production, processing and commercialization of narcotics, psychotropic substances, and precursors.

Criminalizes other money laundering, including terrorism-related: Yes

In 2004, Law 2004-020 governing money laundering and the search, seizure, and confiscation of assets was enacted. Law 2004-020 designates money laundering as deriving from all serious offenses.

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/)

A bill on terrorism financing has been finalized, but its adoption has been delayed due to the dissolution of the parliament following a coup d'état in March 2009.

Know-your-customer rules: Yes

Banks and other financial institutions are required to know, record, and report the identity of customers engaging in transactions above the equivalent of $30,000.

Bank records retention: Yes

Banks and other financial institutions are required to maintain for five years all information regarding significant transactions through financial institutions.

Suspicious transaction reporting: Yes

Law 2004-020 stipulates that financial institutions, including banks and moneychangers, are required to report suspicious transactions. The reporting is mandatory, and there is no reporting threshold. In June 2007, the government issued decree 2007-510 to establish SAMIFIN as Madagascar's financial intelligence unit (FIU). In 2009, SAMIFIN received 45 suspicious transaction reports. Ten cases were referred to the public prosecutors.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture: Yes

Law 2004-020 covers the seizure, freezing and forfeiture of narcotics-related assets as well as assets derived from, or intended for, terrorist financing and other serious crimes. The judicial authority is responsible for asset seizure and forfeiture. The law permits the freezing and seizure of assets that are the object of investigation. The public prosecutor can confiscate not only the individual's assets and properties, but also those of a spouse or children. The law applies to all types of money laundering. There is no civil forfeiture.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: Yes

Currency flows out of the country over the equivalent of $7,000 must be reported to the Ministry of Finance. The Ministry of Finance monitors currency inflows. The regulations appear to be aimed at enforcing currency exchange requirements.

Cooperation with foreign governments:

Law 2004-020 (Art 44-46) provides for multilateral cooperation with foreign governments regarding investigation of money laundering cases.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

The public prosecutor is not adequately trained to investigate money laundering. This has hindered the effectiveness of the FIU, as cases that are referred to the prosecutor often do not advance. There were no prosecutions for money laundering by the end of 2009, although SAMIFIN referred ten cases to the public prosecutor during the year.

The existence of black market exchanges and hawala systems are widely acknowledged. The law (foreign exchange code) prohibits such practices, but the law is not enforced sufficiently. The GOM has to date focused on the formal system.

The list of individuals and entities included on the UN 1267 sanctions committee's consolidated list has been circulated to the FIU. In 2009, the country didn't identify, freeze or seize related assets.

U.S.-related currency transactions:

Madagascar's financial institutions do not engage in currency transactions involving international narcotics trafficking proceeds that include significant amounts of U.S. currency or currency derived from illegal drug sales in the United States or that otherwise significantly affect the United States.

Records exchange mechanism with U.S.:

There is no written agreement specifically for the sharing of records on money laundering, narcotics, or terrorism cases, but law enforcement authorities have expressed a willingness to cooperate informally if a need arises.

International agreements:

SAMIFIN's Egmont Group membership has been delayed due to the delay in approval of the terrorism finance bill.

Madagascar 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

Madagascar is not yet a member of a Financial Action Task Force-style regional body. Contacts have been established with the East and Southern Africa Anti-Money Laundering Group (ESAMLAG) secretariat to start the integration process.

Recommendations:

The Government of Madagascar (GOM) should continue to implement the requirements of Law 2004-020 and internationally recognized anti-money laundering/counter-terrorist financing standards. The GOM should pass the stalled legislation on terrorism financing. Additional effort should be made to combat smuggling. Money laundering related to underground finance and informal value transfer systems should be recognized and enforced. The GOM should train police and customs authorities to proactively recognize money laundering at the street level and at the ports of entry. Additionally, prosecutors should receive training so they are more able to successfully prosecute complex financial crime and money laundering cases.

Malawi

Malawi is not a regional financial center. Some money laundering is tied to smuggling and converting remittance savings systems abroad.

Offshore Center:

No information available.

Free Trade Zones:

No information available.

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related:

In August 2006, Malawi passed the Money Laundering, Proceeds of Serious Crime and Terrorist Financing Act (ML/TF Act) which criminalizes money laundering related to all serious crimes.

Criminalizes terrorist financing:

(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/)

No information available.

Know-your-customer rules:

Financial institutions are required to record and report the identity of customers making large transactions. These records must be available to the Reserve Bank of Malawi (RBM) upon request.

Bank records retention:

Banks must maintain the records of identified customers for seven years.

Suspicious transaction reporting:

Banks are allowed, but not required, to submit suspicious transaction reports to the RBM.

Large currency transaction reporting:

No information available.

Narcotics asset seizure and forfeiture:

The ML/TF Act provides a legal framework for identifying, freezing, and seizing assets related to money laundering. The RBM has the legal authority to identify and freeze assets suspected of involvement in terrorist financing.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements:

No information available.

Cooperation with foreign governments (including refusals):

No information available.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

The ML/TF Act establishes a financial intelligence unit (FIU) to analyze financial transactions to detect money laundering and other crimes. The government has not yet created the FIU or appointed a director to head the organization.

The RBM has circulated to the financial community the names of suspected terrorists and terrorist organizations listed on the UN 1267 Sanctions Committee's consolidated list and the list of Specially Designated Global Terrorists designated by the United States pursuant to Executive Order 13224.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

No information available.

International agreements:

Malawi 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

Malawi is a member of the Eastern and Southern Africa Anti-Money Laundering Group, a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.esaamlg.org/reports/view_me.php?id=165

Recommendations:

Now that the Government of Malawi has adopted its anti-money laundering and counter-terrorist financing legislation, it should work toward full implementation of its laws. The GOLM should appoint a technically competent FIU director and develop viable regimes to thwart both money laundering and terrorist financing. The GOM also should make the filing of STRs by financial institutions mandatory.

Malaysia

Malaysia is a growing regional financial center and has a well developed anti-money laundering/counter-terrorist financing (AML/CFT) framework. Malaysia's long porous land and sea borders and its strategic geographic position increase its vulnerability to money laundering and terrorist financing in the region. Drug trafficking is the main source of illegal proceeds in Malaysia. Malaysia is primarily used as a transit country to transfer drugs originating from the Golden Triangle, Pakistan, India, and Europe, which, among others, include heroin, amphetamine type substances, and ketamine. Other sources of illegal proceeds include theft, fraud, corruption, criminal breach of trust, smuggling of high tariff goods, trafficking of people, and illegal deposit taking. Money laundering techniques include the use of remittance services, couriers, front companies, purchasing high value goods and real property, and investment in capital markets. Nigerian criminal groups are involved in a variety of financial crimes in Malaysia, to include counterfeit currency, investment schemes, and using Malay bank accounts to transfer funds in and out of Malaysia.

Offshore Center: Yes

While Malaysia's offshore financial center on the island of Labuan has different regulations for the establishment and operation of offshore businesses, it is subject to the same AML/CFT laws as those governing onshore financial service providers. Malaysia's Labuan Offshore Financial Services Authority (LOFSA) licenses offshore banks, trust companies, and insurance companies, and performs background checks before granting an offshore license. LOFSA is responsible for ensuring AML/CFT compliance on Labuan.

Labuan's 48 offshore banks (including ten investment banks), insurance companies, trust companies, trading agents, and listing sponsors are subject to all AML/CFT requirements, including the filing of suspicious transaction reports (STRs). The financial institutions operating in Labuan are generally among the largest international banks and insurers. Nominee (anonymous) directors are not permitted for offshore banks or for trust or insurance companies. As of October 2009, Labuan had 7,322 registered offshore companies. Bearer instruments are strictly prohibited in Labuan. Offshore companies must be established through a trust company, which is required by law to establish true beneficial owners and submit STRs. There is no requirement to publish the true identity of the beneficial owner of international corporations; however, LOFSA requires every organization operating in Labuan to disclose information on its beneficial owner(s), as part of its offshore company licensing procedures. LOFSA maintains financial information on licensed entities, releasing it either with the consent of those entities or upon investigation.

Free Trade Zones: Yes

The Free Zone Act of 1990 is the enabling legislation for free trade zones in Malaysia. The zones are divided into Free Industrial Zones (FIZ), where manufacturing and assembly takes place, and Free Commercial Zones (FCZ), generally for warehousing commercial stock. The FIZs are designed mainly to promote manufacturing industries producing goods mainly for export and are dominated by large international manufacturers such as Dell and Intel, which are attracted to the zones because they offer preferential tax and tariff treatment. The Minister of Finance may designate any suitable area as an FIZ or FCZ. Currently there are 17 FIZs and 17 FCZs in Malaysia. The Minister of Finance may appoint any federal, state, or local government agency or entity as an authority to administer, maintain, and operate any free trade zone. Companies wishing to operate in an FIZ or FCZ must be licensed. The time needed to obtain a license to operate in a particular free trade zone from the administrative authority depends on the type of activity.

Criminalizes narcotics money laundering: Yes

Sections 3 and 4 of the Dangerous Drugs (Forfeiture of Property) Act 1988 criminalize any dealings that involve property derived from or is the subject of a narcotics offense.

Criminalizes other money laundering, including terrorism-related: Yes

Malaysia continues to enhance its AML/CFT framework. In 2009, the types of money laundering serious offenses increased from 223 to 245, which are covered by 37 pieces of legislation collectively known as the AMLATFA. New types of money laundering serious offenses in 2009 originated from modifications to the Anti-Trafficking in Persons Act of 2007, the Money Changing Act of 1998, the Exchange Control Act 1953, and the Malaysian Anti-Corruption Commission Act of 2008.

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/)

As part of the measures to strengthen its counter-terrorism legislative framework, between 2003 and 2004, the Government of Malaysia (GOM) enacted amendments to five different pieces of legislation: the Anti-Money Laundering Act of 2001 or AMLA, the Penal Code, the Subordinate Courts Act, the Courts of Judicature Act, and the Criminal Procedure Code. These amendments which specifically criminalized terrorist acts and terrorism financing were brought into force on March 6, 2007. Moreover, the amendments that impose penalties for terrorist acts allow for the forfeiture of multiple forms of terrorist-related assets and allow for the prosecution of individuals who have provided material support for terrorists.

Know-your-customer rules: Yes

Reporting institutions are subject to strict customer due diligence (CDD) rules under the AMLATFA. The GOM has adopted banker negligence laws that make individual bankers responsible if their institutions launder money or finance terrorists.

Bank records retention: Yes

Every transaction, regardless of its size, is recorded. Reporting institutions must maintain records for at least six years.

Suspicious transaction reporting: Yes

Reporting institutions must promptly report any suspicious transactions to the financial intelligence unit (FIU), regardless of the amount of the transaction. Reporting institutions covered under the AMLATFA include financial institutions from the conventional, Islamic, and offshore sectors, offshore listing sponsors and trading agents, stock brokers, futures brokers, unit trust management companies, fund

managers, futures fund managers, money lenders and pawnbrokers, non-bank remittance service providers, non-bank affiliated charge and credit card issuers, insurance financial advisers, e-money issuers and leasing and factoring businesses. Malaysia's growing Islamic finance sector is subject to the same regulatory requirements and supervision as the conventional banks. Non-financial businesses and professions are also covered, including lawyers, public notaries, accountants, company secretaries, licensed casinos and gaming outlets, registered estate agents, trust companies, and dealers in precious metals and stones.

Large currency transaction reporting: Yes

A cash reporting requirement for all transactions above RM 50,000 (approximately $14,600) is imposed upon banking institutions.

Narcotics asset seizure and forfeiture:

Comprehensive laws exist for the seizing and confiscation of property in relation to the offenses of money laundering and narcotics trafficking. The Dangerous Drugs (Forfeiture of Property) Act 1988 contains specific provisions for the forfeiture of drug-related property. 'Property', as defined in section 2 of the Act, may be forfeited with or without a conviction for a predicate offense and where there is no prosecution.

Narcotics asset sharing authority:

Malaysia has no formal mechanism for the sharing of confiscated assets with other countries.

Cross-border currency transportation requirements: Yes

Effective January 2010, under section 23 of AMLATFA, travelers entering or leaving Malaysia must declare cash and/or negotiable bearer instruments exceeding an amount equivalent to $10,000. Travelers could be fined and/or face imprisonment if they fail to declare or make a false declaration.

Cooperation with foreign governments:

The GOM continues to enhance its cooperation on a regional, multilateral, and international basis. The Mutual Assistance in Criminal Matters Act of 2002 enables Malaysia to request and render mutual assistance in criminal matters and thereby assist states in criminal investigations and proceedings on criminal matters related to serious offenses (such as terrorism, drug trafficking, fraud, money laundering and human trafficking).

U.S. or international sanctions or penalties:

In February 2009, LOFSA issued an operating license to Far East Export Bank (FEEB), a wholly owned subsidiary of Iran-based Bank Mellat. Bank Mellat was designated by the United States under E.O. 13382 on October 25, 2007 for engaging in proliferation finance activities in Iran. The U.S. engaged with LOFSA, the central bank and other GOM ministries, identifying Bank Mellat as a known financier of proliferation items for Iran's nuclear program in contravention of UN Security Council Resolutions. The U.S. recommended that LOFSA not issue the FEEB operating license. Following LOFSA's decision to issue FEEB a license, the United States has consistently advocated for revocation. FEEB opened its Labuan operation in August 2009. The United States designated FEEB under E.O. 13382 on November 5, 2009, based on its relationship to Bank Mellat. The United States believes that FEEB represents a significant risk to the integrity of Malaysia's financial system.

Enforcement and implementation issues and comments:

A number of terrorist organizations have been active on Malaysian territory, and authorities have taken action against Jemaah Islamiah and other terrorist networks. Terrorist financing in Malaysia is predominantly carried out using cash and relies on trusted networks. While Malaysia has recently improved the legislative framework to criminalize terrorist financing, there have been no investigations,

prosecutions or convictions relating to terrorist financing under this new scheme as the GOM continued to use the Internal Security Act as a preventive measure instead of thorough investigations.

As of December 2009, the Attorney General's Chambers is prosecuting 84 money laundering cases, involving a total of 2,682 charges with a cumulative total value of RM 941.1 million (approximately $276.8 million). These money laundering cases include self-laundering cases. Out of the 84 cases, there have been eight convictions and three acquittals. The other cases are ongoing.

In 2007, the GOM improved relevant legislation, enabling it to comprehensively freeze assets under the UNSCRs 1267 and 1373. The Home Affairs Ministry has the authority under the AMLATFA to declare terrorists and terrorist organizations listed on the UN 1267 Sanctions Committee's consolidated list as designated entities whose properties are to be frozen. To ensure immediate freezing action, the FIU disseminates electronically an updated UN consolidated list as well as orders or circulars to financial institutions. At the same time, the FIU also disseminates information on persons and entities designated unilaterally by other countries, including the United States, to these institutions.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

The mutual legal assistance treaty (MLAT) with the United States entered into force in January 2009. The GOM has cooperated closely with U.S. law enforcement in investigating terrorist-related cases since the signing of a joint declaration to combat international terrorism in May 2002.

International agreements:

Since 2003, Malaysia has concluded MLATs with several countries.

Malaysia 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

Malaysia is an active member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here: http://www.apgml.org/documents/docs/17/Malaysian%20MER%20-%20FINAL%20August%202007.pdf

Recommendations:

Malaysia is not a major money laundering country and has a strong commitment to preventing money laundering and terrorist financing. The Government of Malaysia (GOM) intends to continue its involvement in AML/CFT matters on a regional, multilateral, and international basis and its leadership in global AML/CFT efforts. However, Malaysia should enact legislation to improve AML/CFT oversight in Labuan and endow LOFSA with sufficient resources to carry out adequate supervision, particularly over its banks, IBCs, and trust companies. In addition, LOFSA should revoke the operating license of Far East Export Bank to protect Malaysia from the risk of proliferation finance occurring in its jurisdiction. Bank Negara Malaysia also should continue its efforts to encourage the use of formal rather than informal remittances which are not subject to AML/CFT controls and may pose vulnerabilities for abuse by money launderers and terrorist financiers. Law enforcement and customs authorities should examine trade based money laundering and invoice manipulation and their relationship to underground finance and informal remittance systems. More effort should be made to improve Malaysia's capacity to identify, investigate, and prosecute terrorist financing.

Maldives

Maldives is not an important regional financial center. The financial sector of the Maldives is very small, with five commercial banks, two insurance companies, and a government provident fund. Although the crime rate in the Maldives is considered low, there is an increasing use of narcotics. The Maldives is located in an area prone to narcotics smuggling making the Maldives vulnerable as a transit point for shipments of illicit drugs meant for other nations and the laundering of narcotics proceeds.

Offshore Center: No

Free Trade Zones:

No information available.

Criminalizes narcotics money laundering: Yes

Law No. 17/77 on Narcotic Drugs and Psychotropic Substances prohibits trafficking of illegal narcotics and the laundering of proceeds from the illicit narcotics trade.

Criminalizes other money laundering, including terrorism-related: No

The Government of Maldives (GOM) has drafted broader anti-money laundering legislation.

Criminalizes terrorist financing:

Law No. 10/90 on Prevention of Terrorism in the Maldives deals with some aspects of money laundering and terrorist financing. Provision of funds or any form of assistance towards the commissioning or planning of any terrorist activity is unlawful.

Know-your-customer rules: Yes

The Maldives Monetary Authority has issued know-your-customer directives.

Bank records retention:

No information available.

Suspicious transaction reporting: Yes

The GOM has created a financial intelligence unit (FIU) within the Maldives Monetary Authority (MMA). The main functions of the FIU are to receive and analyze information on suspicious transactions, and, as appropriate, refer it for investigation to law enforcement agencies. The FIU is at an early stage of development. In the short term, the FIU operates under regulations and circulars issued under the MMA act of 1981. Regulations to cover the FIU are expected to be included in the new money laundering legislation. Through October 2009, the FIU only processed four suspicious transaction reports.

Large currency transaction reporting:

No information available.

Narcotics asset seizure and forfeiture:

No information available.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements:

No information available.

Cooperation with foreign governments:

No information available.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

The FIU distributes the United Nations' lists of the proscribed people and organizations. The Maldives does not have a national sanctions list.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

No information available.

International agreements:

The GOM 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

In 2008, the Maldives became a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. Maldives has not yet had a mutual evaluation.

Recommendations:

The Government of the Maldives (GOM) is developing its anti-money laundering/counter-terrorist financing (AML/CFT) system. The Maldives is in the process of drafting AML/CFT laws and should work closely with the APG to ensure that countermeasures adhere to international standards. The GOM should pass its draft anti-money laundering law and provide adequate resources and training to its new FIU to enable it to fulfill its responsibilities.

Mali

The formal financial sector is underdeveloped in Mali. The informal sector accounts for a substantial proportion of economic activity in the country, a characteristic shared by the other West African Economic and Monetary Union (WAEMU) member states. The Malian economy functions to a large extent on cash. Transfers of funds from the diaspora are substantial. A major share of transfers of funds is carried out through the physical transportation of currency, either by professional cash couriers or by individuals themselves, mainly through inter-African exchanges. In general, the criminal environment is characterized by sizable amounts of illegal trafficking and by a level of corruption that is perceived to be high by global standards but in the median range by West African standards. The territory of Mali, in particular the desert north, is used for various kinds of trafficking, including narcotics, humans, arms, and cigarettes. In this regard, Mali is directly affected by the increasing role West Africa plays in the international drug trade and, more generally, by the growth of illegal trafficking in the region. Mali has an internal market for smuggled cigarettes, pharmaceuticals, and other products, but these activities are primarily a way to avoid Malian customs duties. Also, since Algeria subsidizes many consumables items, including fuel and many foodstuffs, much of what is traded in northern Mali has been smuggled from southern Algeria.

Terrorism and terrorist financing are also of increasing concern. The Algerian-based terrorist group al-Qaida in the Islamic Maghreb (AQIM) is active in northern Mali. AQIM appears to be financed by the maintenance of lucrative trafficking routes as well as the collection of ransoms following the kidnapping of Westerners in the Sahelian zone, to include Algeria, Mali, Mauritania, and Niger. This situation is

aggravated by the vastness of the under-populated north and the long, virtually unmonitored border. The human and material resources available to the authorities for controlling this territory are extremely limited.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Partially

The Malian anti-money laundering system is determined by Law No. 06-066 of December 2006, which transposes into national law Community Directive 07/2002, adopted by the WAEMU Council of Ministers in 2002. Law No. 06-066 defines money laundering and specifies the penalties for those guilty of the offense of money laundering. There are serious limitations and deficiencies in the law. Other professions are covered by the law, but their inclusion under the anti-money laundering (AML) system has not been implemented.

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 2008, Mali passed law No. 08-025, which criminalizes terrorism and terrorist financing.

Know-your-customer rules*:* Yes

Law No. 06-066 establishes customer due diligence (CDD) obligations, which must be performed by all financial entities before they open an account or enter into any other business relationship with a customer (Article 7); or when they carry out occasional cash transactions exceeding CFAF 5 million (approximately $10,000) or in the case of repeated occasional transactions (Art. 8); and, if the source of funds is questionable in an occasional transaction (Article 8). The CDD obligations apply whenever there are repeated occasional transactions, regardless of the amount threshold. The West African Central Bank (BCEAO) enacted a circular (2007/RB) in 2007 that obliges financial institutions to exercise vigilance with respect to customer identification, record keeping, and detection of suspicious transactions, but it does not establish sufficient guidelines to help financial institutions comply with their AML obligations.

Bank records retention*:*

No information available.

Suspicious transaction reporting*:* Yes

Law 06-066 contains provisions for the creation of the National Financial Information Processing Unit (CENTIF), the Malian financial intelligence unit (FIU). Since the creation of CENTIF in May 2008, banks and nonprofit organizations have been obligated to file suspicious transaction reports (STRs). In 2009, Malian banks filed eight STRs with CENTIF. One of these was referred to the Ministry of Justice for further investigation.

Large currency transaction reporting:

No information available.

Narcotics asset seizure and forfeiture*:* Yes

The mandatory confiscation of goods constituting the proceeds of money laundering is stipulated in Article 45 of Law 06-066. However, the proceeds generated by the commission of a predicate offense to money laundering are not included among the property subject to confiscation. Rather, the confiscation

of proceeds generated by the commission of another crime or offense is covered by the Malian penal code, Title III, Article 9.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: No

Detection of the physical cross-border transportation of currency falls to the customs service. Community regulations in this area form an annex to the customs code and provide customs agents with code-derived powers to detect and sanction exchange control violations, according to the authorities. The system of controls currently in place is mixed and depends on the status of the person transporting the funds (resident versus nonresident), as well as his/her destination (inside versus outside the WAEMU zone). These different thresholds make it difficult to enforce the regulations.

Cooperation with foreign governments:

An agreement for cooperation in criminal police matters between member countries of ECOWAS was signed by the heads of state in Accra on December 19, 2003. The national Interpol office (BCN-Interpol) in Bamako works in close collaboration with the secretariat of the International Criminal Police Organization (ICPO) and other national offices. Cooperation between WAEMU countries through BCN-Interpol involves both the sharing of information and assistance in conducting investigations. Customs departments collaborate with their counterparts in WAEMU countries through the Customs Enforcement Network (CEN).

AML Law 06-066 allows Mali's CENTIF to share information with foreign FIUs on the condition of reciprocity and analogous requirements in regard to professional secrecy.

U.S. or international sanctions or penalties*:* No

Enforcement and implementation issues and comments:

Mali has a system of informal cooperatives that raise capital called tontines. This informal system poses a dual risk from the money laundering standpoint: they parallel the formal financial system - sometimes to the detriment of the latter's development - and thus have the potential of recycling some criminal proceeds; they might also serve as a screen to prevent the identification of the origin of funds, imparting an appearance of legality to sometimes very substantial amounts of illicit funds.

In 2009, there were no arrests or prosecutions for money laundering or terrorist financing.

Mali has circulated to its financial institutions the list of individuals and entities included on the UN 1267 sanctions committee's consolidated list as well as the list of terrorist organizations/financiers that the USG or the European Union have designated under relevant authorities.

***U.S.-related currency transactions*:**

There is no evidence that Mali's financial institutions engage in currency transactions involving international narcotics trafficking proceeds.

Records exchange mechanism with U.S.:

There have not been any exchanges of information.

International agreements:

Mali participates, under the aegis of the United States, in the Trans-Saharan Counter-Terrorism Initiative, a 12-country mechanism designed to facilitate information sharing and cooperation among these countries in regard to terrorist financing.

Mali 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

Mali is a member of the Intergovernmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here: http://www.giaba.org/index.php?type=c&id=24&mod=2&men=2

Recommendations:

The Government of Mali should continue to make efforts to implement anti-money laundering and counter-terrorist financing countermeasures that adhere to international standards. The GOM should fully implement Law 06-066, particularly implementing reporting and CDD standards for all covered entities.

Malta

Malta is not a regional financial center. Malta's location between the African and European continents facilitates narcotics smuggling and possibly the smuggling of persons into other countries – particularly Italy.

Offshore Center: No

Free Trade Zones: Yes

There is one free trade zone in Malta, the Malta Freeport Terminals Ltd., which serves as a transshipment logistical center in the central Mediterranean and provides container handling and industrial storage services.

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

On July 31, 2008, the Prevention of Money Laundering and Funding of Terrorism Regulations 2008 (PMLFTR) were implemented, transposing provisions of the European Union's Third Money Laundering Directive into Maltese law.

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 2002, the criminal code was amended so that terrorist financing would meet the standard for categorization as a serious crime under Malta's Prevention of Money Laundering Act (PMLA). On June 6, 2005, the Act was extensively amended and expanded to include provisions for offenses of terrorism and the funding of terrorism.

Know-your-customer rules: Yes

Bank records retention: Yes

Financial institutions are required by law to maintain all necessary records on transactions for at least five years following the completion of the transaction (or longer if required to do so) regardless of whether the business relationship is ongoing or has been terminated.

Suspicious transaction reporting: Yes

In 2001, the Financial Intelligence Analysis Unit (FIAU) was established to serve as Malta's financial intelligence unit (FIU). The GOM requires banks, currency exchange offices, stockbrokers, insurance companies, money remittance/transfer services, and other designated non-bank financial businesses and

professions to file suspicious transaction reports (STRs) with the FIAU, which investigates them. There is no monetary threshold and filing of a STR is required regardless of whether the transaction is completed. In 2008, the FIAU received 69 STRs.

Large currency transaction reporting: **No**

Narcotics asset seizure and forfeiture: Yes

The PMLA deals with proceeds from any criminal offense. The Criminal Code deals with proceeds and instrumentalities from all crimes and in particular terrorism-related offenses. Confiscation/forfeiture provisions under the PMLA and Criminal Code are mandatory. The forfeiture provisions in the Criminal Code refer to all crimes liable to a punishment of imprisonment for a term of one year or more. Civil forfeiture separate from a conviction is not provided for by law.

Narcotics asset sharing authority:

There is no specific authorization or authority for asset sharing, but no restriction on sharing assets is imposed by statute. There is no record of any prior request for asset sharing.

Cross-border currency transportation requirements: Yes

Legal Notice 149 of 2007 (Cash Control Regulations) requires that any person entering or leaving Malta and carrying a sum equivalent to euro 10,000 (approximately $13,500) or more in cash is obligated to declare that sum to the authorities.

Cooperation with foreign governments:

Malta is party to the 1990 Strasbourg Convention and to several bilateral mutual legal assistance agreements.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

The GOM has designated one of the country's five prosecutors to deal solely with money laundering cases. Bank secrecy laws are completely lifted by law in cases of money laundering (or other criminal) investigations. There were two convictions for money laundering in 2009.

The names of individuals and entities included on the UNSCR 1267 Sanctions Committee's consolidated list are circulated to financial institutions. To date, no assets have been identified, frozen and/or seized as a result of this process.

U.S.-related currency transactions:

There are no indications that currency transactions in Malta involve international narcotics trafficking proceeds or 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.

Records exchange mechanism with U.S.:

The FIAU is able to exchange information with the Financial Crimes Enforcement Network.

International agreements:

Malta 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

Malta is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round3/MONEYVAL%282007%2905Rep-MLT3_en.pdf

Recommendations:

The Government of Malta should continue to enhance its anti-money laundering and counter-terrorist financing legislation and procedures, as appropriate.

Mauritania

Mauritania is not a regional financial center. Its economic system suffers from a combination of weak Central Bank oversight, lax financial auditing standards, porous borders, and corruption in government and the private sector. The Government of Mauritania (GOM) did make some improvements in 2007 and 2008 by strengthening the Central Bank's financial management system and making it more transparent, restructuring the foreign exchange system, and improving oversight of commercial banks. However, the August 2008 coup d'etat and resulting changes to the political and economic systems could make the country more vulnerable to money laundering.

Most money laundering in Mauritania involves profits from graft and small-scale illicit activity. Terrorism financing and narcotics proceeds are believed to constitute a small but growing portion of the sums laundered in Mauritania. Mauritania is a transit country for a variety of smuggled goods, including cigarettes, diverted food aid, small arms, clandestine immigrants, vehicles, and narcotics. Cocaine is the most commonly smuggled drug. Contraband smuggling generates modest funds that are laundered through the banking system. While money laundering and terrorist financing are limited in Mauritania, weak oversight and public corruption allows them to continue.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

The 1992 law governing money laundering focuses specifically on laundering from narcotics trafficking.

Criminalizes other money laundering, including terrorism-related: Yes

Money laundering is a criminal offense in Mauritania. The GOM drafted a new body of laws in 2005 that strengthen government control over money laundering related to terrorist groups and activities although they do not take an "all serious crimes" approach.

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 July 27, 2005, the GOM adopted law 2005-47 criminalizing terrorism and law 2005-48 criminalizing money laundering and terrorist financing.

Know-your-customer rules:

Banks are required to record and report to the Central Bank the identity of customers engaging in large-scale financial transactions.

Bank records retention: Yes

Banks and other financial institutions are required to maintain records necessary to reconstruct significant transactions for ten years.

Suspicious transaction reporting: Yes

Anti-money laundering controls are applied to banks and non-bank financial institutions such as exchange houses, and to intermediaries including lawyers, accountants, and broker/dealers. Financial institutions may report transactions they consider suspicious to the Central Bank; however, such reporting is done on a voluntary basis. The 2005 anti-money laundering law provides for the establishment and funding of the Financial Information and Analysis Commission (FIAC), equivalent to a financial intelligence unit (FIU). The FIAC became operational in 2008, but its capacity to conduct analysis has not yet been proven.

Large currency transaction reporting:

No information available.

Narcotics asset seizure and forfeiture:

Mauritania has enacted laws for identifying, tracing, freezing, seizing, and forfeiting narcotics-related assets as well as assets derived from or intended for terrorist financing and other serious crime. The authority comes from the 1992 law governing money laundering from drug trafficking and the 2005 laws governing terrorism, money laundering, and terrorist financing. However, these laws have not been fully implemented. The Ministry of Interior is responsible for tracing, seizing, and freezing assets. The GOM does not have an independent national system and mechanism for freezing terrorist assets.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: No

Cross-border transportation of currency and monetary instruments is limited to the equivalent of $3000. The Central Bank can grant exceptions to allow transport of larger amounts of currency across the border. Declaration forms are not used at border crossings. Cash smuggling reports are not entered into a data base.

Cooperation with foreign governments:

There are no known impediments to international cooperation.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

There are four government bodies responsible for investigating financial crimes: the FIAC, the Central Bank, the Ministry of the Interior, and the state Inspector General. These bodies lack adequate staff and training. There have been two arrests and one indictment for money laundering since January 1, 2007. In June 2009, a Mauritanian court indicted an individual for drug trafficking and money laundering.

The GOM acknowledges the existence and use of indigenous alternative remittance systems that bypass financial institutions. The GOM has taken steps to reduce the disparity between the official exchange rate and the parallel exchange rate to make black market exchanges less attractive. It has also increased patrols along its borders and in remote areas of the country to counter cross border cash smuggling.

U.S.-related currency transactions:

There are no indications that currency transactions in Mauritania involve 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.

Records exchange mechanism with U.S.:

The GOM has not adopted laws or regulations that allow for the exchange of records with the United States. The GOM has demonstrated a willingness to cooperate with the United States on combating

financial crimes, terrorist financing and related issues, but local efforts are hampered by a serious lack of resources, knowledge, and expertise in this area.

International agreements:

Mauritania 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 GOM is not a member of any Financial Action Task Force-style regional body.

Recommendations:

The Government of Mauritania should continue to make efforts to adhere to relevant international money laundering and counter-terrorist financing standards. The GOM should fully implement the laws and standards it has established. Mauritania should circulate to its financial institutions the list of individuals and entities included on the UN 1267 sanctions committee's consolidated list as being linked to Usama Bin Ladin, members of the al-Qaida organization, or the Taliban.

Mauritius

Mauritius has developed a reputation as a well-regulated and credible international financial center. According to the local Independent Commission Against Corruption (ICAC), laundered funds are primarily the proceeds from drug trafficking – mainly heroin, and increasingly, Subutex. Other important predicate crimes for money laundering offenses include aggravated larceny, conspiracy, forgery, swindling, and corruption. Criminal proceeds laundered in Mauritius are not controlled by drug trafficking organizations or organized criminal groups. There is no significant black market for smuggled goods in Mauritius, although there is occasional smuggling of stolen automobiles and cigarettes. According to ICAC, money laundering occurs in the banking system, the offshore financial center, as well as the non-bank financial system. Criminal proceeds are derived from both domestic and foreign criminal activities. The continuous development of the financial sector in Mauritius has resulted in an increase in financial crimes.

Offshore Center: Yes

The Mauritius Global Business Sector was established in 1992 to attract foreign investment to a wide range of banking and non-banking activities. The Sector is a major route for foreign investments into the Asian sub-continent and is by far the largest source of foreign direct investment and portfolio investment in India. In June 2009, there were 32,895 Global Business Companies (GBCs) in Mauritius, including 619 licensed global funds. There are two types of GBCs based on the category of license. A GBC1 can be structured as a collective investment scheme, global fund or protected cell company. A trust can also qualify for a GBC1 license. GBC2s are engaged in invoicing, marketing and international trading activities. Shell companies and bearer shares are not allowed in Mauritius. As of the end of June 2009, there were 9,883 GBC1s and 23,012 GBC2s. A GBC1 company is required by law to have two resident directors, to hold board meetings in Mauritius, and to be administered by a management company. A GBC2 company must have a management company as a registered agent in Mauritius. Nominee or anonymous directors and/or trustees are not allowed in Mauritius. The offshore sector also includes management companies licensed by the Financial Service Commission (FSC) to provide professional services to GBCs. These services include company incorporation, corporate and fund administration, tax planning and structuring, trusteeship, and accounting services. The management company is required to carry out proper customer due diligence before accepting new business. The FSC licenses and supervises all non-banking financial services and GBCs.

Free Trade Zones:

No information available.

Criminalizes narcotics money laundering: Yes

Money laundering is a criminal offense in Mauritius.

Criminalizes other money laundering, including terrorism-related:

The Finance Act 2009, enacted on July 30, 2009, principally enlarges the definition of crime, applying the crime of money laundering to a wider range of 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/)

The Prevention of Terrorism Act of 2002 criminalizes terrorist financing. The legislation gives Mauritius powers to track and investigate terrorist-related funds, property, and assets and to cooperate with international bodies. Under the 2003 Mutual Assistance in Criminal and Related Matters Act, terrorism and terrorist financing are considered "serious crimes."

Know-your-customer rules: Yes

It is mandatory for financial institutions to verify the true identity of their customers before opening any account, accepting any deposit of money and securities, or renting a safe deposit box. The Financial Intelligence and Anti-Money Laundering Regulations of 2003 expressly prohibit financial institutions from opening anonymous or fictitious accounts. They also require financial institutions to establish and verify the identity and current permanent address of an applicant for a business license, the nature of the business, financial status of the business owner and the capacity in which s/he is entering into a business relationship with the financial institution.

Bank records retention: Yes

All documentation required to verify the identity of customers and of beneficial owners must be retained for a period of not less than seven years after the completion of the relevant transaction, closure of the account, or cessation of the business relationship.

Suspicious transaction reporting: Yes

Financial institutions, including non-bank financial institutions (NBFIs) and designated non-financial businesses and professions (DNFBPs), are required by the Financial Intelligence and Anti-Money Laundering Act 2002 (FIAMLA) to report all suspicious transactions to the financial intelligence unit (FIU). There is no specific threshold amount for suspicious transactions. Through December 4, 2009, the FIU received 172 STRs and referred 28 Dissemination and Intelligence Reports to investigatory authorities during the same period.

Large currency transaction reporting:

Cash transactions in excess of Rs 500,000 (approximately $16,600) are prohibited in Mauritius, subject to certain exceptions.

Narcotics asset seizure and forfeiture:

Section 45 of the Dangerous Drug Act 2000, as amended by the Finance Act of 2009, includes provisions for the forfeiture of the possessions of convicted persons or any member of his/her family. According to this Act, a suspect would have his assets frozen by the court upon any provisional drug trafficking charge. Forfeiture of assets may take place upon conviction. Although a conveyance used to transport drugs is confiscated, property on which illicit crops are grown is not subject to seizure. Regarding substitute

assets, the relationship to the crime must be proven for the assets to be seized. There is no provision to seize legitimate businesses if used to launder drug money or support terrorist activity. In addition to drug-related proceeds, proceeds from corruption offenses also are subject to seizure. Civil forfeiture is not allowed.

Narcotics asset sharing authority:

Mauritius passed the Mutual Assistance and Criminal Related Matters Act which allows for the sharing of seized assets with other governments. Thus far there has been no negotiation with other governments to enhance asset tracing, freezing, and seizure.

Cross-border currency transportation requirements:

Section 131A of the Customs Act of 1988 has been amended to provide that, beginning on October 1, 2009, any person making a physical cross-border transportation of currency or bearer negotiable instrument of an amount of more than Rs 500,000 rupees (approximately $16,600) or its equivalent in any foreign currency shall make a declaration to Customs. Customs Regulations are currently being amended to provide for the use of a currency Declaration Form. The cash declaration system will be implemented as from the date the principal regulations come into force.

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 ICAC, 39 suspects have been scrutinized since January 2009 in connection with money laundering offenses and prosecution is being contemplated against some of them. In addition, four persons have been convicted in relation to money laundering cases.

In one case, Marie Ange Seblin was convicted for having been in possession of property that, in part, directly represented the proceeds of a crime. The court determined from the circumstantial evidence available that Seblin had reasonable grounds to suspect or was fully aware of the illicit drug activities of her husband, and the inference was drawn that her accounts were being used to accommodate the proceeds of drug trafficking activities.

The Bank of Mauritius in turn circulates the UNSCR 1267 Sanctions Committee list to all Mauritius banks. No terrorist related assets have thus far been identified by banks.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

No information available.

International agreements:

The Mauritius FIU exchanges information with other FIUs which are not members of the Egmont Group on the basis of reciprocity or on the basis of memoranda of understanding.

Mauritius 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

Mauritius is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.esaamlg.org/reports/view_me.php?id=173

Recommendations:

Mauritius has adopted a comprehensive anti-money laundering/counter-terrorist financing regime. The Government of Mauritius should continue its efforts to enhance its system, including the timely implementation of its new cross-border currency declaration system. Mauritius also should enact its pending civil asset forfeiture legislation and consider expanding its forfeiture regime beyond just drug or corruption-related offenses.

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.

Micronesia, Federated States of

The Federated States of Micronesia (FSM) is not an important regional financial center. It is not known to be a significant money laundering location. There are no known instances of money laundering related to illegal narcotics, psychotropic substances and/or chemical precursors. The amount of money believed to be laundered through the country is small, and misuse of public funds is the main source of laundered funds. Local law enforcement suspect some smuggled goods are making their way onshore, mostly cigarettes. The FSM's isolation, small and relatively poor population, and limited transportation links make it an unlikely destination for large amounts of smuggled goods.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

Enacted in 2001, Chapter 9, Title 11 of the FSM Criminal Code, also known as the Money Laundering and Proceeds of Crime provision, made money laundering a criminal offense. The law does not apply solely to drug-related money laundering and takes an "all serious crimes" approach, i.e., any offense punishable by imprisonment of more than one year.

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 FSM ratified the UN Convention for the Suppression of the Financing of Terrorism in 2001. However, the country has yet to make terrorist financing, or even the commission of terrorist acts, a specific crime.

Know-your-customer rules: Yes

Bank records retention: Yes

Banks and other financial institutions must maintain their records for five years.

Suspicious transaction reporting: Yes

The money laundering law requires all banks and financial institutions to report suspicious transactions to the Department of Justice (DOJ). The DOJ passes the reports to its internal financial intelligence unit (FIU) for investigation. The FIU consists of a single police officer. It has no operational or budgetary independence; it is wholly dependent on the DOJ for funding and the National Police for staff. The officer has both criminal investigative and regulatory responsibilities. There is no threshold amount for a transaction to qualify as an STR. The FIU received 50 STRs in 2009, a substantial increase over 2008.

Large currency transaction reporting: Yes

A transaction of $10,000 or more requires a cash transaction report.

Narcotics asset seizure and forfeiture:

Sections 929-941 of the money laundering law provide for the seizure of "tainted" property, as well as any benefits derived by the defendant from the commission of a money laundering offense. Moreover, the law defines property very broadly as currency and all other real or personal property, wherever it is situated. There is no civil forfeiture. No property has ever been seized or confiscated under the money laundering statute.

Narcotics asset sharing authority: No

Cross-border currency transportation requirements:

The FSM does not currently monitor cross-border currency transactions. FSM Customs requires mandatory declaration forms at all ports of entry. Arriving passengers carrying $10,000 or more in currency must declare the amount.

Cooperation with foreign governments:

The Transnational Crime Unit (TCU), reliant on American funding and Australian supervision since its opening in April, 2009, brought officers from other Pacific island nations to Palikir, the Micronesian capital, to share information on such issues as narcotics, human trafficking, and terrorism.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Local barbershops transmit money to other countries, mostly to the Philippines. Someone deposits money with the barber who then notifies a counterpart overseas to pay a designated recipient. Although this system is mostly used for remittances to families, it could be used to transfer small amounts of laundered proceeds.

The National Police are responsible for investigating financial crimes. There is not enough staff or resources to adequately monitor the sector. There have been no arrests, prosecutions or convictions for money laundering since the FSM criminalized the offense in 2001.

U.S.-related currency transactions:

There are no indications that currency transactions in Micronesia involving international narcotics trafficking proceeds 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.

Records exchange mechanism with U.S.:

The TCU cooperates with a wide range of U.S. law enforcement agencies.

International agreements:

Micronesia 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

Recommendations:

The Government of Micronesia (GOM) should continue to make efforts to adhere to international anti-money laundering/counter-terrorist financing (AML/CFT) standards. The GOM should adopt and monitor cross-border currency reporting requirements for travelers both entering and leaving the jurisdiction. Additionally, the GOM should extend coverage of its AML/CFT laws to informal remittance systems. The GOM should become a party to the UN Convention against Corruption.

Monaco

The Principality of Monaco is the second-smallest country in Europe. It is linked closely to France, and is closely tied to the economic apparatus of the European Union (EU) through its customs union with France and its use of the euro as its official currency. Monaco is known for its security and political stability. Historically, Monaco's casinos, run by a majority state-owned company, were major sources of income. Now, however, the casino revenues constitute less than 3% of the state budget. Monaco's state budget is now based primarily on taxes, duties, and excises which account for 75% of the total income. Monaco's approximately 40 banks and financial institutions hold more than 300,000 accounts and manage total assets of about 750 billion Euros (approximately $102,800,000,000). Non-residents total 46 percent of the financial institutions' total number of clients, representing 60% of the total assets and deposits, respectively almost 84,000 clients and 45 billion Euros. Money laundering offenses relate mainly to offenses committed abroad. Reportedly, the Principality does not face ordinary forms of organized crime. There is no significant market for smuggled goods.

In March 2009, The Principality of Monaco announced it would follow the international norms in matters of tax transparency. In September 2009, Monaco was removed from the Organization for Economic Cooperation and Development (OECD) list of "non-cooperative" countries in terms of provision of tax information.

Offshore Center: Yes

Offshore companies are subject to the same due diligence and suspicious transaction reporting obligations as banking institutions, and Monegasque authorities conduct on-site audits.

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Money laundering is a crime under Act 1.161 of July 7, 1993, which creates an offense of money laundering in the Criminal Code and amends the Code of Criminal Procedure.

Criminalizes other money laundering, including terrorism-related: Yes

On November 9, 2006, Section 218-3 of the Criminal Code was modified to adopt an "all crimes" approach to money laundering. In August 2009, Monaco passed Act 1.362 relating to money laundering, terrorist financing and corruption and promulgated Sovereign Order 2.318 setting conditions for the application of Act 1.362. The legislation includes provisions addressed by the third European Directive on the prevention of money laundering and terrorist financing.

Criminalizes terrorist financing: Yes

In 2002, the GOM passed Act 1.253 and promulgated two Sovereign Orders intended to implement UNSCR 1373 by outlawing terrorism and its financing. Monaco passed additional Sovereign Orders later in 2002, importing into Monegasque law the obligations of the UN Convention for the Suppression of the Financing of Terrorism. In 2006, Monaco further amended domestic law to implement these obligations. Monaco has also enacted domestic measures providing a legal basis for the freezing of terrorist funds. Monaco has not conducted any terrorist financing investigations or prosecutions to date.

Know-your-customer rules: Yes

Act 1.362 institutes procedural requirements regarding client identification. Banking laws do not allow anonymous accounts, but the Government of Monaco (GOM) does permit account owners to use pseudonyms in lieu of their real names. The banks do know the identities of the customers and retain client identification information. Article 3 of Sovereign Order 2318 of August 2009 clarifies the circumstances under which contractually-designated accounts can be used by banks.

Bank records retention: Yes

Act 1.362 establishes procedural requirements regarding retention and maintenance of records.

Suspicious transaction reporting: Yes

Monaco's AML legislation, as amended, requires banks; insurance companies; stockbrokers; corporate service providers; portfolio managers; some trustees; and institutions within the offshore sector, casinos; money remitters; real estate brokers; consultants or advisors in business, legal or tax matters; dealers in precious stones, precious materials, antiquities, fine art and other valuable assets; lawyers; notaries; and accountants to report suspicious transactions to Monaco's financial intelligence unit (FIU). In 2008, the FIU received 478 suspicious transaction reports (STRs).

Large currency transaction reporting:

No information available.

Narcotics asset seizure and forfeiture:

Monaco's legislation allows for the confiscation of property of illicit origin as well as a percentage of co-mingled illegally acquired and legitimate property. Authorities must obtain a court order to confiscate assets. Confiscation of property related to money laundering is restricted to the offenses listed in the Criminal Code.

Narcotics asset sharing authority:

Monaco and the United States signed an asset sharing agreement in March 2007.

Cross-border currency transportation requirements:

No information available.

Cooperation with foreign governments (including refusals):

In June 2007, the European Convention on Mutual Assistance in Criminal Matters entered into force in Monaco. Monaco has concluded 15 extradition treaties with various countries. To date, there have been three extraditions on the grounds of money laundering; two were extradited from Monaco and one was extradited to Monaco.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

While the legal framework for freezing terrorist assets, to a certain extent, provides for the imposition of international sanctions and penalties under criminal law in the event of noncompliance, the mechanism does not apply to persons, groups, or entities within the EU. Monaco also lacks specific mechanisms for examining and acting on freezing procedures initiated by other countries.

Monaco's FIU forwards STRs to the prosecutor when there is evidence of money laundering, terrorist financing or corruption. Four prosecutions for money laundering have taken place in Monaco, resulting in three convictions.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

The Principality of Monaco signed an agreement on exchange of information with the United States on September 8, 2009.

International agreements:

Monaco is party to several EU agreements and conventions that provide for mutual legal assistance and information exchange. The Principality of Monaco has signed 13 agreements on information exchange. Monaco's FIU has signed information exchange agreements with over 29 foreign FIUs.

The Principality of Monaco 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

Monaco is a member of the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Monaco_en.asp

Recommendations:

The Government of Monaco (GOM) should amend its legislation to implement full corporate criminal liability. The Principality should enhance its legal framework for freezing terrorist assets so that it applies to persons, groups, or entities within the EU and provides for specific mechanisms for acting on freezing procedures initiated by other countries. Monaco should enhance the authority of its FIU to forward reports and share financial intelligence with law enforcement and foreign FIUs even when the report or information obtained does not relate specifically to drug trafficking, organized crime, or terrorist

financing. Monaco should become a party to the UN Convention against Corruption.

Mongolia

Mongolia is not a financial center. Financial and economic crimes are few but have increased in number over the last few years. Mongolia is vulnerable to a low grade of transnational crime due to the growth in tourism, investment, and remittances from abroad. Mongolia's extensive borders with Russia and China are liabilities in the fight against smuggling and narcotics, but drug use and trafficking remain limited and unsophisticated. There is a black market for smuggled goods, but this is tied to tax avoidance rather than drug trafficking. There is no evidence of proceeds of international narcotics trafficking in the banking system. Endemic corruption, a weak legal system, the use of alternative remittance systems, the inability to patrol its borders, and a limited capacity to conduct transnational criminal investigations hamper Mongolia's ability to fight transnational crime.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

The 2006 Law on Combating Money Laundering and Terrorism Financing (AML/CFT Law) in the Criminal Code sets predicate offenses for money laundering. In December 2009, Mongolia's Parliament enacted reforms to the AML/CFT regime to make all offenses except tax evasion, which is rampant, predicate offenses in the criminal code and broaden the definition of money laundering beyond receipt and concealment to include the possession, use, transfer, or conversion of laundered assets.

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 268/1 of the Criminal Code criminalizes the financing of terrorism.

Know-your-customer rules: Yes

Bank records retention: Yes

Records must be kept for a minimum of five years.

Suspicious transaction reporting: Yes

Suspicious transaction reports (STRs) have no minimum threshold and are required by law. STR reporting requirements apply to banks, non-bank financial institutions and certain designated non-financial businesses and professions (DNFPBs). In November 2006, Mongolia established the Financial Information Unit (FIU) under the Bank of Mongolia. In 2009, 40 STRs were analyzed by the FIU and three were referred to law enforcement.

Large currency transaction reporting: Yes

Financial institutions must file cash transaction reports for all transactions greater than the local equivalent of $16,000. Observers criticized the reporting threshold as too high.

Narcotics asset seizure and forfeiture:

Article 268/1 of the Criminal Code mentions the confiscation of assets as a possible punishment for those engaged in money laundering but does not specifically mention seizure and forfeiture, though other sections of law do allow for both civil and criminal forfeiture.

Narcotics asset sharing authority: No

Cross-border currency transportation requirements:

According to Article 15.1 of the AML/CFT Law, the carrying of over 5 million tugriks (approximately $3,500) across the border requires a declaration to the Customs Department. Carrying more than 20 million tugriks (approximately $14,000) requires the filing of a form with the FIU. Mongolia introduced a cash declaration system database in 2009.

Cooperation with foreign governments:

No known impediments to cooperation are known to exist.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

There were no arrests, prosecutions, or convictions related to money laundering or terrorist financing in 2009.

Political opposition has curbed efforts to pass more robust laws against money laundering.

Banks are obligated to screen against UN terrorist lists including those related to UNSCRs 1267 and 1373. Screening against other lists, including those of US and Europe, is encouraged. To date, no terrorist financing activity has been identified by banks and no freezing and confiscation has taken place.

U.S.-related currency transactions:

There are no indications that currency transactions in Mongolia are derived from illegal drug sales in the United States or otherwise significantly affect the United States.

Records exchange mechanism with U.S.:

Mongolia is able to exchange information with the Financial Crimes Enforcement Network.

International agreements:

The FIU holds memoranda of understanding regarding information sharing with counterpart units in Afghanistan, China, Russia and Turkey.

Mongolia 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

Mongolia is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here: http://www.apgml.org/documents/docs/17/Mongolia%20Mutual%20Evaluation%202007%20-%20Final%20.pdf

Recommendations:

Despite the limited scope of money laundering and the lack of any evidence that terrorist financing has taken place, the trend in Mongolia is toward an increasingly strong stance against money laundering and terrorist financing. Mongolia should seek further opportunities to broaden the cooperative AML/CFT relationships it has established with the U.S., the APG, and with other partners. Mongolia would do well to transform ad hoc cooperation into institutionalized partnerships so that the country can best preserve the relative insulation from these crimes it has enjoyed to date. Mongolia should extend its AML/CFT regime to cover all DNFBPs.

Montenegro

Montenegro is not considered an important financial center. Independent since 2006, Montenegro is still developing capabilities to prevent money laundering and terrorist financing. The Montenegrin authorities consider drug-related crimes the most serious source of illicit proceeds in the country. Montenegro is a part of the East-West transit corridor for drugs. Montenegro continues to have a significant black market for smuggled goods, particularly stolen cars, narcotics, cigarettes, imports which avoid customs duties, and counterfeit goods; many of these items are trafficked by organized criminal groups. Proceeds from illegal activities are invested heavily in all forms of real estate. Montenegrin authorities do not consider Montenegro to be exposed to terrorism or a haven for terrorist finance. Corruption is a significant problem and continues to affect all law enforcement bodies and the judiciary. While the government has made efforts to eliminate corruption, these efforts have yet to produce significant results.

Offshore Center: No

Free Trade Zones: Yes

In June 2004, Montenegro passed a Free Trade Zone Law, which offers businesses benefits and exemptions from custom duties, taxies and other duties. The Port of Bar is currently the only free trade zone (FTZ) in Montenegro. The Port of Bar Holding Company operates the FTZ. The general business rules of the Bar free zone require each FTZ user to come to an agreement with the Customs Authority of Montenegro on the form of customs records to be maintained about the flow of goods.

Criminalizes narcotics money laundering: Yes

The money laundering offense is criminalized by Article 268 of the Criminal Code.

Criminalizes other money laundering, including terrorism-related: Yes

The Law on the Prevention of Money Laundering and Terrorist Financing entered into force in December 2007. The law takes an "all crimes" approach to money laundering predicate offenses and criminalizes self-laundering. Liability of legal persons is provided for in the Law on Criminal Liability of Legal Entities for Criminal Acts.

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 financing of terrorism is criminalized in Article 449 of the Criminal Code, which also makes terrorist financing a predicate offense for money laundering.

Know-your-customer rules:

On March 17, 2009, Montenegro issued the Regulations on Risk Analysis for Prevention of Money Laundering and Financing of Terrorism. On the basis of the Regulations, the financial intelligence unit (FIU) issued the Guidelines on Risk Analysis for Prevention of Money Laundering and Financing of Terrorism, which entered into force on September 25, 2009. Banks and other financial institutions are required to know, record, and report the identity of customers engaging in suspicious, significant transactions, including currency transactions equal to or above the equivalent of 15,000 euros (approximately $22,730).

Bank records retention:

Banks and other financial institutions are also required to maintain records for ten years.

Suspicious transaction reporting:

Transactions that raise suspicions of money laundering or terrorist financing shall be reported to the FIU before the execution of the transaction. If there are serious grounds for money laundering or terrorist financing, the FIU may block the transaction for 72 hours and send the report to the police administration or prosecutor's office. During the first ten months of 2009, 63 suspicious transaction reports (STRs), involving 59 cases, were filed with the FIU. During the same period, the FIU processed 86 STRs. The FIU referred 94 cases to law enforcement.

On October 16, 2009, Montenegro issued an updated List of Suspicious Clients and Transaction Indicators. It included lists of indicators for banks, capital markets, Customs Administration, public revenue collectors, leasing companies, auditors, accountants, and lawyers. There were no reports on terrorist financing.

Large currency transaction reporting:

Covered institutions are required to report to the FIU all transactions exceeding 15,000 euro (approximately $22,730)

Narcotics asset seizure and forfeiture:

Criminal Code Article 268 provides for the mandatory confiscation of money and property related to money laundering. Criminal Code Article 449 provides for mandatory confiscation of funds intended for terrorist financing. On August 19, 2009, the GOM adopted a new Criminal Procedure Code (CPC) which envisages provisional seizure of objects and property, and proceedings for confiscation of property whose legal origin has not been proved. Instrumentalities and substitute assets are subject to confiscation. Civil forfeiture is allowed. The CPC also covers the freezing of terrorist funds. General guidance on the freezing of funds has been issued but there is no specific guidance on the freezing of terrorist funds. The GOM has established systems for identifying, tracing, freezing, seizing, and forfeiting narcotics-related assets as well as assets derived from, or intended for, other serious crimes. However, the implementation of the legislation has just begun.

Narcotics asset sharing authority:

Article 28 of the Law on International Legal Assistance in Criminal Matters, adopted in January 2008, provides for asset sharing.

Cross-border currency transportation requirements:

Resident and non-resident individuals are allowed to carry in or out of Montenegro the cash equivalent of €2,000 without reporting to the customs authorities. Montenegro uses a declaration system whereby the Customs Administration provides the FIU data on any money, checks, bearer securities, precious metals and precious stones transported across borders exceeding a value of €10,000 or more. Montenegro does not record details of amounts between €2,000 and €10,000 since there is no sub-legal act which would regulate keeping such information.

Cooperation with foreign governments:

Article 50 of the same law stipulates that all information about crimes and perpetrators involved in counterfeiting and laundering money, producing or trafficking drugs and/or human beings shall be delivered to the National Central Bureau of INTERPOL. Mutual legal assistance can be undertaken provided there is reciprocity or if the foreign state executes a letter rogatory for international legal assistance.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Lists of United Nations 1267 Sanctions Committee designated entities are being distributed to reporting entities; however, an effective mechanism to freeze such funds still needs to be created. There were no investigations for terrorist financing in 2009.

The supervision and monitoring of designated non-financial businesses and professions is deficient.

Although customer due diligence is adequately addressed in the law, actual implementation of the legal provisions, in particular regarding beneficial owner identification, politically exposed persons, and the verification that a person has the relevant authority to act is weak. In particular, casinos and real estate agencies do not follow identification procedures.

There has been a significant decrease in STRs from 2005 (507) to 2006 (186), 2007 (116) and 2008 (46), which the Montenegrin authorities attribute to a decrease in foreign investment. Despite provisions in the law, the GOM does not keep full statistics on the number of STRs that result in investigations, prosecutions and convictions.

U.S.-related currency transactions:

There has been no indication that Montenegro's financial institutions engage in narcotics-related transactions involving significant amounts of US currency or otherwise affecting US interests.

Records exchange mechanism with U.S.:

On October 21, 2008, the Montenegrin FIU and FINCEN signed a Memorandum of Cooperation outlining the procedure for exchange of information, operational data, and intelligence.

International agreements:

In April 2008, the FIUs from Montenegro, Serbia, Albania, Slovenia, Croatia, Macedonia and Bosnia and Herzegovina signed a regional protocol on suppressing money laundering and terrorist financing. During 2009, the Montenegrin FIU signed similar agreements with FIC EULEX Kosovo, Ukraine, United Arab Emirates and Bermuda.

By virtue of the principle of state succession from the State Union of Serbia and Montenegro, Montenegro 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

Montenegro is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:
http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/Evaluation_reports_en.asp

Recommendations:

The Government of Montenegro has enacted legislation to deter money laundering and terrorist financing. However, its full implementation of that legislation must be addressed. In particular, Montenegro must provide guidance to and adequately supervise and monitor designated non-financial businesses and professions. Additionally, customer due diligence requirements regarding beneficial owners and politically exposed persons must be enforced. Law enforcement and customs officials should be provided with sufficient capacity and resources to enable them to effectively investigate money laundering, terrorist financing and smuggling. The GOM should adopt procedures for the timely freezing of the assets of designated terrorists or terrorist organizations. Finally, the GOM should develop systems and programs to compile and disseminate statistics on its money laundering and terrorist financing investigations and prosecutions.

Morocco

Morocco is not a regional financial center but is well integrated into the international financial system. Money laundering is a concern due to its narcotics trade, vast informal sector, trafficking in persons, and large level of remittances from Moroccans living abroad. Cash-based transactions in connection with cannabis trafficking are of particular concern. Morocco remains the world's principal producer of cannabis, with revenues estimated at over $13 billion annually. While some of the narcotics proceeds are laundered in Morocco, most proceeds are thought to be laundered in Europe. Only three in ten Moroccans use banks; and credible estimates of Morocco's informal sector range between 17 and 40 percent of GDP. In 2007, remittances from Moroccans living abroad totaled more than $7 billion, approximately nine percent of GDP. The predominant use of cash, informal value transfer systems and remittances from abroad help fuel Morocco's informal sector. Criminal activities of particular risk include bulk cash smuggling, and unverified reports of trade-based money laundering, including under- and over-invoicing and the purchase of smuggled goods. Most businesses are cash-based with little invoicing or paper trails. Unregulated money exchanges remain a problem in Morocco and were a prime impetus for Morocco's anti-money laundering legislation. Although the legislation targets previously unregulated cash transfers, the country's vast informal sector creates conditions for this practice to continue.

Offshore Center: Yes

Offshore banks are located in the Tangier free zone. They are regulated by an interagency commission chaired by the Ministry of Finance.

Free Trade Zones: Yes

Morocco has a free trade zone in Tangier, with customs exemptions for goods manufactured in the zone for export abroad. There have been no reports of trade-based money laundering schemes or terrorist financing activities using the Tangier free zone.

Criminalizes narcotics money laundering: Yes

Morocco criminalizes money laundering under the anti-money laundering (AML) Law No. 43-05, issued on April 17, 2007. The law stipulates money laundering shall be added to the section of felonies and misdemeanors related to money in the penal code. The proceeds of narcotics are a specified unlawful activity under the law.

Criminalizes other money laundering, including terrorism-related: Yes

According to article 1 of the AML law, Morocco follows the list system in relation to the predicate money laundering offenses, but the current law has significant shortcomings. Chapter 574-2 of the Penal Code includes the crimes of trafficking in drugs and psychotropic substances, trafficking in persons, smuggling of migrants, illicit arms trafficking, bribery, treachery, exploitation of influence, embezzlement, terrorist crimes, and counterfeiting. Moreover, article (32) of the AML Law makes it a crime to launder property when its source is related to a terrorist crime or the purpose is financing terrorism. According to Chapter 218-4 of the Penal Code, terrorism finance is deemed a form of terrorist crime in Morocco.

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 2003, Morocco adopted a comprehensive counter-terrorism bill. The bill provides the legal basis for lifting bank secrecy to obtain information on suspected terrorists, allows suspect accounts to be frozen, and permits the prosecution of terrorist financing-related crimes. The 2007 AML law further clarifies the counter-terrorist financing statute. However, the forms of terrorist financing defined in the

law are not consistent with all the forms of terrorist financing stipulated in article (2) of the Terrorist Financing Convention.

Know-your-customer rules: Yes

Article (12) of the AML law obliges the reporting entities covered by the law to take internal measures concerning prudence, detection and monitoring regarding customer identification, due diligence, and record keeping.

Bank records retention: Yes

The entities covered by the AML law are obliged by Article (7) to keep the documents related to their customers' transactions for ten years commencing on the date of their execution.

Suspicious transaction reporting: Yes

The law requires the filing of suspicious transaction reports (STRs) by all responsible parties, both public and private, who in the exercise of their work, carry out or advise on the movement of funds possibly related to the covered predicate offenses. The central bank and the Ministry of Economy and Finance embarked on a major campaign to publicize the law in 2007, but delays in promulgating the decrees to implement the legislation meant that the Financial Intelligence Unit (FIU) that is designated to receive, analyze and disseminate the STRs did not become operational until late 2009.

Large currency transaction reporting: No

Morocco has not considered the utility of implementing a currency transaction reporting system.

Narcotics asset seizure and forfeiture:

The AML law allows the partial confiscation of funds used to commit the crime and the proceeds of crime.

Narcotics asset sharing authority: No

Morocco has not enacted any laws for sharing of seized assets with other governments.

Cross-border currency transportation requirements: No

There are foreign currency controls that require declarations to be filed when transporting currency across the border. However, the controls are intended to better regulate the Moroccan foreign exchange markets. They are not designed or implemented to combat money laundering or terrorist financing.

Cooperation with foreign governments:

The Kingdom of Morocco has a legal framework that allows for judicial cooperation for requests for judicial assistance, exchange of information and extradition of criminals. Basically, the international conventions are considered as bilateral conventions for mutual judicial cooperation and for the exchange of money laundering related financial information by the FIU, and priority is given to related requests.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

While there have been no verified reports of international or domestic terrorist networks using the Moroccan narcotics trade to finance terrorist organizations and operations in Morocco, investigations into the Ansar Al Mahdi and Al Qaeda in the Islamic Maghreb (AQIM) terrorist organizations are ongoing. At least two suspects arrested as part of the Ansar Al Mahdi cell were accused of providing financing to the cell. Moroccan authorities believe the funding sources for the 2003 and 2007 terrorist-related explosions in Morocco are more likely to be based abroad, but concede that internal funding mechanisms for terrorist actions may exist in the form of money transfers, theft and other criminal activities.

Moroccan authorities report that at least 11 money laundering investigations have been initiated in 2009, with at least two cases proceeding to court. However, there were no prosecutions for money laundering in Morocco in 2008 or 2009.

Morocco has a relatively effective system for disseminating UNSCR terrorist lists to the financial sector and law enforcement. Morocco has provided detailed and timely reports requested by the UNSCR 1267 Sanctions Committee and some accounts have been administratively frozen.

The AML law currently does not allow the mandatory confiscation sentence to include properties and other proceeds of crimes related to terror financing.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

There is a mutual legal assistance treaty (MLAT) between Morocco and the United States. There is a working exchange of information between Moroccan and U.S. law enforcement agencies on a case by case basis.

International agreements:

The FIU can share information in the framework of the international conventions where the Kingdom of Morocco is a party, or on the basis of the principle of reciprocity.

Morocco 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

Morocco is a charter member of the Middle East North Africa Financial Action Task Force (MENAFATF) – a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here http://www.menafatf.org/TopicList.asp?cType=train

Recommendations:

The Government of Morocco (GOM) should continue to implement anti-money laundering/counter terrorist financing (AML/CFT) programs and policies that adhere to international standards, including ensuring the effectiveness of an FIU that receives, analyzes, and disseminates financial intelligence. The size of Morocco's informal economy is likely to produce new challenges for the authorities as they implement the new AML/CFT regime. Police and customs authorities, in particular, should receive training on recognizing money laundering and terrorist financing methodologies, including trade-based money laundering and informal value transfer systems. Morocco should implement cross-border currency reporting requirements that adhere to international standards. Morocco needs to closely examine both formal and underground remittance systems.

Mozambique

Mozambique is not a regional financial center. Money laundering is believed to be fairly common and is linked principally to customs fraud and narcotics trafficking, although press reports suggest there may be links to terrorist groups as well. Authorities believe the proceeds from these illicit activities have helped finance commercial real estate developments, particularly in the capital. Most narcotics are destined for South African and European markets; Mozambique is not a significant consumption destination and is rarely a transshipment point to the United States. Local organized crime controls narcotics trafficking operations in the country, with significant involvement by Pakistani and Indian immigrants. While

money laundering in the banking sector is considered to be a serious problem, foreign currency exchange houses, cash couriers, and the hawala remittance system also play significant roles in financial crimes and money laundering. Much of the laundering is believed to be happening behind the scenes at foreign currency exchange houses. The number of exchange houses operating in Mozambique surpasses the number required for normal business. The government has banned the opening of any new exchange houses. Black markets for smuggled goods and financial services are widespread, dwarfing the formal retail and banking sectors in most parts of the country.

Offshore Center: No

Free Trade Zones: Yes

Criminalizes narcotics money laundering: Yes

Money laundering has long been a criminal offense in Mozambique.

Criminalizes other money laundering, including terrorism-related:

The 2002 Anti-Money Laundering Act (AMLA) contains specific provisions related to narcotics trafficking, in addition to a wider range of offenses considered predicates for money laundering.

Criminalizes terrorist financing: No

Mozambique has not explicitly criminalized the financing of terrorism. Its 1991 Crimes against the Security of State Act criminalizes terrorism, but financing is not addressed. The AMLA does list terrorism finance as a serious crime subject to the scope of the law, but elaborates no further (Article 4).

Know-your-customer rules: Yes

Under the AMLA and the implementing 2004 regulations, obligated entities are required to identify customers.

Bank records retention: Yes

The AMLA requires institutions to keep records of customer identification. Banks and exchange houses are required to keep transaction records for 15 years.

Suspicious transaction reporting: Yes

Under the AMLA and the implementing 2004 regulations, the following reporting entities are required to file suspicious transaction reports (STRs): banks and credit companies; securities companies and exchanges; debt collectors, leasing and rental companies; gaming facilities; capital/asset management concerns; payment and currency exchange operators; insurance brokers; and overseas subsidiaries or branches of Mozambican financial institutions. The reporting entities are required to report any suspicious transactions immediately to the Attorney General's office. The Attorney General, in turn, is required to determine within 48 hours whether to permit the transaction. Once the financial intelligence unit (FIU) is fully operational, the reporting entities will be required to file STRs with the FIU instead of the Attorney General's Office.

Large currency transaction reporting: Yes

Entities must immediately report to the Attorney General's office any cash transaction valued at 441 times the monthly minimum wage, or about $23,000 at current exchange rates. In addition, exchange houses are required to turn in records of all transactions on a daily basis. All credit card transaction attempts over $5,000 must also be reported and can only be processed with approval from the Central Bank.

Narcotics asset seizure and forfeiture:

The AMLA contains provisions authorizing the seizure and forfeiture of assets, including those of legitimate businesses used to launder money. In such a case, the Central Bank would be responsible for the initial tracing of assets and the Attorney General would be responsible for freezing and confiscating assets. The law allows for both civil and criminal forfeiture. Despite this legal framework, the institutions authorized to implement the law do not have an established system for identifying and freezing narcotics-related assets, and no assets have been seized to date.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements:

The 1996 Money Exchange Act requires any individual carrying more than $5,000 across the border to file a report with Customs. Taking more than 500 meticais (approximately $17) out of the country is prohibited.

Cooperation with foreign governments:

Mozambique's lack of a clear terrorist financing law could hinder efforts to investigate such activity or to identify and seize terrorism-related assets.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

There were no money laundering arrests or prosecutions in 2008/2009.

The law to establish the Financial Intelligence Office, Mozambique's FIU, was approved by the Parliament in July 2007. The Director General of the Financial Intelligence Office was appointed in September 2008, and recruitment of staff is ongoing. By law, the FIU was required to commence operations by January 8, 2009, but this target date was moved back.

Authorities acknowledge that alternative remittance systems are common in Mozambique, many of which operate in exchange houses that, on paper, are heavily regulated but in fact can easily avoid reporting requirements. There are no serious legislative, judicial, or regulatory measures being considered to address this problem.

Financial institutions do not have direct access to the names of persons or entities included on the UN 1267 Sanctions Committee's consolidated list or the list of Specially Designated Global Terrorists designated by the United States pursuant to Executive Order 13224; these lists are distributed only to the Central Bank, the Attorney General, the Ministry of Finance, and the Ministry of Foreign Affairs. Authorities in these institutions have not positively identified any of the persons or entities on these lists as operating in Mozambique; therefore, no assets have been identified, frozen, or seized.

U.S.-related currency transactions:

There are no U.S.-related international currency transaction restrictions in Mozambique. While companies may charge for goods or services in U.S. dollars, all receipts and invoices must be issued using the local currency.

Records exchange mechanism with U.S.:

Cooperation with the United States has taken place on an informal basis.

International agreements:

Mozambique has entered into a series of formal agreements with neighboring countries to share financial information required by law enforcement bodies.

Mozambique 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

Mozambique is a member of the Eastern and Southern Africa Anti-Money Laundering Group, a Financial Action Task Force-style regional body. Mozambique has not yet been subject to a mutual evaluation.

Recommendations:

The Government of Mozambique has taken steps to deter money laundering and financial crime. The GOM should explicitly criminalize terrorist financing. Mozambique should monitor closely the exchange houses and alternative remittance systems in use throughout the country and should bring the latter entities under the AMLA requirements. Strengthening and enforcement of reporting requirements should be undertaken. The GOM should move swiftly to bring its FIU into full operation. Finally, the GOM should distribute the UN 1267 Sanctions Committee's consolidated list to all financial institutions.

Namibia

Although Namibia has one of the most highly developed financial systems in Africa, it is not considered a regional financial center. Sources of potential money laundering in Namibia are related to both regional and domestic criminal activities. The regional activities include falsification or misuse of identity documents, customs violations, trafficking of precious metals and gems, trafficking in illegal drugs, and stolen vehicles - mostly from South Africa. Organized crime groups involved in smuggling activities generally use Namibia as a transit point - particularly for goods destined for Angola. Domestically, real estate as well as minerals and gems are reportedly used as vehicles for money laundering. Namibian authorities believe the proceeds of these activities are laundered through Namibian financial institutions, but such money laundering takes place on a small scale.

Offshore Center: No

Free Trade Zones: Yes

The Namibian government has set up Export Processing Zones (EPZ). The Ministry of Trade and Industry's Offshore Development Company (ODC) is responsible for the monitoring, regulation and promotion of EPZs. According to the ODC, Namibia's EPZ regime is unique in that it is not location-bound. EPZ registered companies are free to locate anywhere in the country and are not restricted to specific geographical zones. Specially designated industrial zones and parks have been established at Walvis Bay, Oshikango and Katima Mulilo.

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

Namibia criminalizes money laundering in the Prevention of Organized Crime Act (POCA). Money laundering under POCA applies to all proceeds of any unlawful activity and not just drug trafficking. There is no threshold minimum sentence required to make a crime a predicate offense for money laundering or to institute forfeiture proceedings. In July 2007, the Financial Intelligence Act (FIA) was passed. Both POCA and the FIA entered into force in May 2009. The FIA and the POCA serve as the cornerstones of Namibia's anti-money laundering/counter-terrorist financing (AML/CFT) regime.

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/)

An Anti-Terrorism Bill has passed the drafting stage but has not been tabled in Parliament.

Know-your-customer rules: Yes

The FIA requires both banks and non-bank financial institutions to identify customers if a business relationship is to be established. When there is no established business relationship, accountable institutions are required to identify the client if a single transaction exceeds 5,000 Namibian dollars (approximately $650). Casinos or gaming institutions are responsible for identifying a client for a single transaction exceeding 25,000 Namibian dollars (approximately $3,200).

Bank records retention: Yes

Under FIA, banks and other financial institutions are required to maintain records for five years.

Suspicious transaction reporting: Yes

Under FIA, AML/CFT controls must be applied to non-bank financial institutions and designated non-financial businesses and professions, such as exchange houses, stock brokerages, cash couriers, casinos, dealers in jewels and precious metals, insurance companies, pawn shops, realtors, high-value dealers in art and vehicles; and intermediaries such as lawyers, accountants, notaries, or broker/dealers. The Financial Intelligence Centre (FIC) has analytical duties and responsibilities under the FIA. Since the FIA entered into force, accountable institutions have filed approximately 100 suspicious transaction reports (STRs) with the FIC.

Large currency transaction reporting:

The FIA mandates large currency transaction reporting requirements but they have not yet been implemented by enabling regulations.

Narcotics asset seizure and forfeiture:

The POCA provides for a wide spectrum of forfeiture measures, including confiscation, restraint orders, preservation orders, and civil forfeiture. Under POCA, the government can seize assets and intangible property such as bank accounts, including the instrumentalities and proceeds of crime, as well as substitute assets.

Narcotics asset sharing authority: No

Namibia has not yet enacted any laws for the sharing of seized assets with other governments, but may be able to do so pursuant to an international agreement or treaty.

Cross-border currency transportation requirements:

The FIA has provisions for monitoring the cross-border transportation of currency and monetary instruments, namely, threshold reporting requirements for cross-border conveyances of cash, but the reporting regime has not yet been implemented.

Cooperation with foreign governments:

Namibia has cooperative agreements with countries in the Southern African Development Community.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Since the POCA and FIA entered into force in May 2009 there have not yet been any arrests or prosecutions for money laundering.

The Bank of Namibia routinely circulates to its financial institutions the list of individuals and entities included on the UN 1267 sanctions committee's consolidated list as well as the lists of those designated under relevant authorities by the U.S. and the European Union.

U.S.-related currency transactions:

There is little evidence to suggest financial institutions engage in currency transactions involving international narcotics trafficking proceeds that include significant amounts of US currency or currency derived from illegal drug sales in the United States or that otherwise significantly affect the United States.

Records exchange mechanism with U.S.:

Namibia has not reached any bilateral agreement with the United States authorities on a mechanism for exchange of records in criminal matters. However, Namibia has made substantial efforts to cooperate with the United States in the area of law enforcement, especially in the area of extradition.

International agreements:

Namibia is not yet a member of the Egmont group. The FIC is in the process of entering into information sharing agreements with other FIUs.

Namibia 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

Namibia became a party to the 1988 UN Drug Convention by accession on March 6, 2009.

Namibia is a member of the Eastern and Southern Africa Anti-Money Laundering Group, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here: http://www.esaamlg.org/userfiles/Namibia_detailed_report.pdf

Recommendations:

Namibia should continue to implement the POCA and the FIA and should pass the pending anti-terrorism bill. As part of the implementation process, the Government of the Republic of Namibia (GRN) should ensure sufficient resources and training are provided to supervisory, analytical, investigative, prosecutive and judicial entities with responsibilities under the laws. The GRN should become a party to the UN Convention for the Suppression of the Financing of Terrorism.

Nauru

Nauru is a small Central Pacific island nation with a population of approximately 10,700. It is an independent republic and an associate member of the British Commonwealth. The Republic of Nauru is an established "zero" tax haven, as it does not levy any income, corporate, capital gains, real estate, inheritance, estate, gift, sales, or stamp taxes. The currently insolvent government-owned Bank of Nauru acts as the Central Bank for monetary policy. Nauru's legal, supervisory, and regulatory framework has provided significant opportunities in the past decade for the laundering of the proceeds of crime. There is no known criminal activity in Nauru that generates laundered funds.

Offshore Center: Yes

Eleven offshore financial institutions are registered in Nauru, overseen by the Nauru Agency Corporation.

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

Nauru has had a progression of anti-money laundering laws, with Banking (Amendment) Act 2004; Anti-Money Laundering Act 2004 (AMLA 2004); Mutual Assistance in Criminal Matters Act 2004; Proceeds of Crime Act 2004; and the Counter-Terrorism and Transnational Organized Crime Act 2004 being the most recent. A proposed replacement law has been under parliamentary consideration since 2008.

Criminalizes terrorist financing: Yes

Nauru criminalizes terrorist financing via the Counter-Terrorism and Transnational Organized Crime Act 2004.

Know-your-customer rules: Yes

Bank records retention: Yes

Suspicious transaction reporting: Yes

In addition to banks and non-bank financial institutions, the AMLA 2004 expands the coverage and scope of anti-money laundering requirements to money remitters, securities and investment businesses, insurance, real estate agents, dealers in precious metals and stones, trust or company service providers, and legal entities. All are required to submit suspicious transaction reports (STRs) to the Nauru Financial Intelligence Unit (FIU) located within the Ministry of Finance. However, no STRs have been reported.

Large currency transaction reporting:

No information available.

Narcotics asset seizure and forfeiture:

The AMLA 2004 provides for the tracing, freezing, seizing and forfeiting of narcotics-related assets and assets derived from or intended for terrorist financing and other crimes. There is no civil forfeiture. The Government of Nauru has not had occasion to enforce existing asset seizure and forfeiture laws.

Narcotics asset sharing authority: No

Cross-border currency transportation requirements: No

It is prohibited to transport more than Australian dollars $2,500 (approximately $2,250) out of Nauru. There are no amount restrictions on inbound money.

Cooperation with foreign governments:

The AMLA 2004 allows mutual assistance with foreign states in relation to anti-money laundering investigations.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

In 2009, there have not been any arrests or prosecutions for money laundering or terrorist financing.

U.S.-related currency transactions: No

There are no known currency transactions in Nauru 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.

Records exchange mechanism with U.S.:

There are no record exchange agreements.

International agreements:

Nauru 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 - No
- the UN Convention against Corruption - No

Nauru is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body, and the APG will conduct a mutual evaluation of Nauru in 2010.

Recommendations:

The Government of Nauru should establish and implement reporting requirements for inbound currency and negotiable instruments. The GON should become a party to the UN Convention against Corruption and the UN International Convention for the Suppression of the Financing of Terrorism, and to all UN Conventions pertaining to terrorism. Nauru also should ratify the UN Convention against Transnational Crime and accede to the UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

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.

Netherlands Antilles

The Netherlands Antilles is considered a regional financial center and a transshipment point for drugs from South America bound for the United States and Europe. The Netherlands Antilles is comprised of the islands of Curacao, Bonaire, Dutch Saint Maarten, Saba, and Saint Eustatius. The Netherlands Antilles is a semi-autonomous entity within the Kingdom of the Netherlands (KON), with control over its internal affairs. The Kingdom retains authority over defense and foreign affairs. Money laundering is primarily related to proceeds from illegal narcotics. Money laundering organizations can take advantage of banking secrecy and use off-shore banking and incorporation systems, economic zone areas, and resort/casino complexes to place, layer and launder drug proceeds. Bulk cash smuggling is a continuing problem due to the close proximity of the Netherlands Antilles to South America (Venezuela, Colombia, etc). Additionally, "contrabanding" (using bulk cash to buy actual products which are shipped to South America and sold, thus legitimizing the profits) from an Economic Zone in the Netherlands Antilles is a known method of laundering in the region. Structuring is a relatively common occurrence in the Netherlands Antilles, but does not represent high-level money laundering activity, which is accomplished almost exclusively through wire transfers between the Netherlands and the Netherlands Antilles. A significant offshore sector and loosely regulated free trade zones, as well as narcotics trafficking and a lack of border control between Saint Maarten (the Dutch side of the island) and St. Martin (the French side), create opportunities for money launderers in the Netherlands Antilles.

Offshore Center: Yes

The Netherlands Antilles has an offshore financial sector which in 2008 had 84 trust service companies providing financial and administrative services to an international clientele, which includes offshore companies, mutual funds, and international finance companies. As of September 2007, there were a total of 14,191 offshore companies registered with the Chamber of Commerce in the Netherlands Antilles, as is required by law. The laws and regulations on bank supervision provide that international banks must have a physical presence and maintain records on the island. The Netherlands Antilles permits Internet gaming companies to be licensed on the islands. In 2008, there were four operator member and nine non-operator member licensed Internet gaming companies.

Free Trade Zones: Yes

In February 2001, the Government of the Netherlands Antilles (GONA) approved proposed amendments to the free zone law to allow e-commerce activities into these areas (National Ordinance Economic Zone no.18, 2001). Goods no longer have to be physically present within the free trade zone (FTZ) as was required under the former free zone law. Seven areas in the Netherlands Antilles qualify as "Economic Zones" (e-zones), five of which are designated for e-commerce. The remaining two e-zones, located at the Curacao airport and harbor, are designated for goods. These zones are minimally regulated. In 2009 the FTZ authority (Curinde), in cooperation with other entities, introduced an anti-money laundering manual for the FTZ. The manual was made in anticipation of the possible introduction of regulatory laws by the local government.

Criminalizes narcotics money laundering: Yes

Money laundering was outlawed in 1999, but the statute required a specific unlawful act to institute a statutory penalty.

Criminalizes other money laundering, including terrorism-related: Yes

Money laundering is a criminal offense in the Netherlands Antilles pursuant to the National Ordinance on the penalization of terrorism, terrorism financing and money laundering. The law applies to all criminal offenses, including drug-related money laundering. Netherlands Antilles takes an "all rimes" approach, i.e., all acts which are indicated as crimes in the Criminal Code.

Criminalizes terrorist financing: Yes

The Criminal Code of the Netherlands Antilles has been amended to include terrorist financing as a criminal act. The National Ordinance on the penalization of terrorism, terrorism financing and money laundering (O.G. 2008, no. 46) entered into force in June 2008.

Know-your-customer rules: Yes

The National Ordinance Identification when rendering both financial and non-financial services (O.G. 1996, no. 23) requires customer identification. International corporations may be registered using bearer shares. Either the bank or the company service providers maintain copies of bearer share certificates for international corporations, which include information on the beneficial owner(s). Bearer shares are not permitted in the insurance sector.

Bank records retention: Yes

Banks are required to maintain records for ten years and all other financial intermediaries must maintain records for five years.

Suspicious transaction reporting: Yes

National Ordinance Reporting of Unusual Transactions (O.G. 1996, no. 21) requires both bank and non-bank financial institutions, such as company service providers and insurance companies, to report suspicious transactions to the FIU. Amendments to the Ordinance in 2009 added designated non-financial businesses and professions, including lawyers, accountants, notaries, jewelers and real estate

agents to the list of entities obligated by law to report unusual transactions to the FIU. Obligated entities also are required to report suspected terrorist financing activity. In 2008, approximately 20,000 unusual transactions (a lower standard than "suspicious" transactions) were reported to the FIU, and approximately 4,000 suspicious transactions were disseminated to the Public Prosecutors Office.

Large currency transaction reporting: Yes

Depending on the sector and the type of transaction, obligated entities also are required to report cash transactions over NAF 20,000 (approximately $10,000) and NAF 250,000 (approximately $142,000).

Narcotics asset seizure and forfeiture:

In 2000, the GONA enacted the National Ordinance on Freezing, Seizing and Forfeiture of Assets Derived from Crime. The law allows the prosecutor to seize the proceeds of any crime proven in court. Civil forfeiture is not permitted. The GONA enacted legislation in 2002 allowing a judge or prosecutor to freeze assets related to the Taliban and Usama Bin Ladin, as well as all persons and companies connected with them. The legislation contains a list of individuals and organizations suspected of terrorism. The Central Bank instructed financial institutions to query their databases and to immediately freeze any assets found. In October 2002, the Central Bank instructed the financial institutions under its supervision to continue these efforts and to consult the UN website for updates to the list.

Narcotics asset sharing authority:

The Agreement between the KON and the United States of America regarding mutual cooperation in the tracing, freezing, seizure, and forfeiture of proceeds and instrumentalities of crime and the sharing of forfeited assets is extended to the Netherland Antilles.

Cross-border currency transportation requirements: Yes

National Ordinance Obligation to Report Cross-Frontier Money Transportations (O.G. 2002, no. 74) requires everyone entering or leaving one of the island territories of the Netherlands Antilles to report to customs officials money equal to or exceeding NAF 20,000 (approximately $10,000). The Customs Officials will immediately forward these reports to the FIU.

Cooperation with foreign governments (including refusals):

Pursuant to article 7, paragraph 2, of the National Ordinance Reporting Unusual Transactions, the furnishing of data to foreign authorities shall take place only by treaty or an administrative agreement.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Law enforcement agencies conducted various investigations which resulted in two Economic Zone companies being charged with money laundering in 2008-2009. Several companies, their directors, and other associates were convicted in court on money laundering and drug trafficking charges.

There have been limited seizures of bulk cash of several thousand dollar increments throughout the past year which intelligence reflects were en route to South America or inbound to one of the e-zone facilities.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

The Mutual Legal Assistance Treaty between the KON and the U.S. applies to the Netherlands Antilles; however, the treaty is not applicable to requests for assistance relating to fiscal offenses addressed to the Netherlands Antilles. A tax information exchange agreement (TIEA) between the KON and the U.S. with

regard to the Netherlands Antilles, signed in 2002, entered into force in March 2007. The FIU of the Netherlands Antilles has signed a memorandum of understanding (MOU) with FinCEN, the FIU of the United States.

International agreements:

The Netherland Antilles is a party to the Agreement between the KON and the Republic of Venezuela regarding the prevention, control and combating of the abuse of, the illicit trade in and the illicit production of narcotics, psychotropic substances and related chemical assets The FIU of the Netherlands Antilles has expanded its international information network to 46 countries; no MOU is needed for the exchange of information with other Egmont recognized FIUs.

In cooperation with Antillean authorities, Dutch officials from the Netherlands established the Hit and Run Money Laundering (HARM) Team during 2003. Since its inception, the team has concentrated on identification of the most prominent launderers, their means of laundering money, and law enforcement cooperation.

Netherlands Antilles 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

The KON has not yet extended ratification of the UN Convention against Corruption to the Netherlands Antilles.

Netherland Antilles 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/mutual-evaluation-reports.html

Recommendations:

The Government of the Netherlands Antilles (GONA) has demonstrated a commitment to combating money laundering. The Netherlands Antilles should continue its focus on increasing regulation and supervision of the offshore sector and free trade zones, as well as pursuing money laundering investigations and prosecutions. The GONA should ensure that anti-money laundering regulations and reporting requirements are fully implemented for designated non-financial businesses and professions. The Netherlands Antilles should work to fully develop its capacity to investigate and prosecute money laundering and terrorist financing cases.

New Zealand

New Zealand is not a major regional or offshore financial center. Most financial activities are domestic transactions. It has a small number of banks and financial institutions, mostly Australian and New Zealand-owned, whose operations can be effectively monitored by government authorities. There is evidence that some money laundering does take place, although not to a significant extent. Most money laundering occurs through the financial system. Based on the combined value of suspicious transaction reports (STRs), profits from drug sales and other financial-related crimes experts estimate the value of money laundering is roughly one billion dollars annually. Narcotics proceeds and fraud-associated activity (primarily Internet-banking fraud) are the primary sources of illicit funds. International organized criminal elements do operate in New Zealand.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

Money laundering is criminalized under the Crimes Act 1961 and Misuse of Drugs Act 1975. As amended in 2003, the law applies to all serious crimes and negligence. New Zealand enacted the Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Bill in October 2009. The law sets forth reporting requirements for financial service providers and casinos, a risk-based approach to tracking potential money laundering and terrorism financing activities, and an enforcement regime with new civil and criminal 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/)

The Terrorism Suppression Act, enacted in October 2002, criminalizes terrorist financing, defines a terrorist act and establishes a mechanism to designate persons or groups as terrorist entities. The Act gives the Government of New Zealand (GONZ) wider authority to designate entities as terrorist organizations and freeze their assets. A 2007 amendment determines that entities designated as terrorist entities by the UN 1267 Sanctions Committee are now automatically designated as terrorist entities by New Zealand. The AML/CFT Bill of 2009 further strengthens terrorist financing countermeasures.

Know-your-customer rules: Yes

The Financial Transactions Reporting Act (FTRA) sets out customer due diligence requirements, which apply to all financial institutions. Financial institutions are required to verify the identity of both permanent and occasional customers, regardless of whether they are natural persons, legal persons or legal arrangements.

Bank records retention: Yes

The FTRA requires identification records relating to a customer, or a person on whose behalf the customer has acted, to be retained for not less than five years after the person ceases to be a customer. Any other records relating to the verification of any person must be retained for not less than five years after the verification is carried out.

Suspicious transaction reporting: Yes

Obligated entities must file STRs with the New Zealand Financial Intelligence Unit (NZFIU). The FIU has intelligence functions only; it disseminates to law enforcement STRs it believes warrant investigation. In 2008, 4,229 STRs were filed with the NZFIU.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture: Yes

New Zealand's confiscation regime is generally effective and frequently used. The Proceeds of Crime Act 1991 allows for a person convicted of a serious offense to be deprived of criminal proceeds through a forfeiture order and/or pecuniary penalties.

The GONZ has also recently introduced legislation (Criminal Instruments and Proceeds Bill) that would allow the Serious Fraud Office to freeze and confiscate funds generated from crimes, even when a person is not convicted, where a person cannot demonstrate the assets were acquired in a legitimate way.

Narcotics asset sharing authority: Yes

Asset sharing is possible in New Zealand and is governed by the provisions of any applicable treaty and the New Zealand Guidelines on Asset Sharing. The Guidelines have a presumption of returning 50% of the confiscated assets to the requesting country.

Cross-border currency transportation requirements: Yes

New Zealand operates a declaration system for incoming and outgoing physical cross-border transportations of cash equal to or exceeding NZD 10,000 or the equivalent in foreign currency (approximately $6,900) being carried by a person or in accompanying baggage.

Cooperation with foreign governments:

The GONZ regularly cooperates in international money laundering and terrorist finance initiatives and investigations.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

According to New Zealand Police records, between December 31, 2003 and June 30, 2008, 197 investigation files associated with money laundering were created. Over 75% of the cases related to fraud-associated activity (predominantly Internet-banking fraud). Drug-related money laundering activity is the second most investigated offense, making up 10% of the total money laundering associated files.

U.S.-related currency transactions:

There are no indications that currency transactions in New Zealand involving international narcotics trafficking proceeds 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.

Records exchange mechanism with U.S.:

The GONZ and the United States do not require a bilateral mutual legal assistance treaty to enter into a mutual assistance relationship. The United States has been designated as a 'prescribed foreign country' in New Zealand's Mutual Assistance in Criminal Matters Act 1992, enabling New Zealand to process requests for assistance from the United States on a reciprocal basis. In practice, New Zealand and U.S. authorities have had a good record of cooperation and information sharing in this area. The GONZ and the United States signed a bilateral extradition treaty in 1970.

International agreements:

New Zealand 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

New Zealand is a member of the Financial Action Task Force (FATF), the Asia/Pacific Group on Money Laundering, a FATF-style regional body, and the Pacific Islands Forum. Its most recent mutual evaluation report can be found here: **http://www.fatf-gafi.org/dataoecd/1/61/43998312.pdf**

Recommendations:

The Government of New Zealand should continue to enhance its legislation and procedures as appropriate. The GONZ should ratify the UN Convention against Corruption.

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.

Norway

Though Norway sustains a high activity economy through its booming petroleum sector, the jurisdiction is not considered an important financial center in a regional context. Norway's significance in terms of money laundering is very low. There are illicit proceeds related to narcotics sales and production, prostitution, robberies, smuggling, and white collar crimes like embezzlement, tax evasion and fraud. Criminal proceeds laundered in the jurisdiction derive primarily from domestic criminal activity, often by foreign criminal gangs or guest workers who in turn remit the proceeds home. Money laundering and terrorist financing primarily occur through exchange houses and banks, but also to an increasing degree, through alternative remittance systems such as hawala.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

Money laundering is a criminal offense, and the law does not only apply to drug-related money laundering. The Norwegian Money Laundering Act (ML Act) and associated regulations entered into force on April 15, 2009. The ML Act implements the Third European Union (EU) Money Laundering Directive (Directive 2005/60/EC).

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 28, 2002, Norway enacted its legislation to criminalize terrorist financing (Endringslov nr. 54).

Know-your-customer rules: Yes

Bank records retention: Yes

Bank records and identifying data must be maintained for a period of five years after the account is closed.

Suspicious transaction reporting: Yes

Anti-money laundering/counter-terrorist financing (AML/CFT) controls, including the reporting of suspicious transaction reports (STRs), are mandatory for financial institutions, non-bank financial institutions, and designated non-financial businesses and professions. STRs are submitted to Norway's financial intelligence unit (FIU). The Norwegian FIU received 9,026 STRs in 2008. The unit produced 243 intelligence reports and 27 formal complaints, based on information from 660 STRs.

Large currency transaction reporting:

No information available.

Narcotics asset seizure and forfeiture:

Norwegian police agencies share responsibility for identifying, tracing, freezing, seizing, and forfeiting narcotics and terrorist financing related assets. As a general rule, the police may seize direct proceeds from criminal acts. However, Norwegian law also allows for seizing instruments of crime, but a relationship to the crime must be proven. Norwegian law allows both criminal and civil forfeiture.

Narcotics asset sharing authority: Yes

Norwegian law allows for sharing of seized assets with other governments (Straffeloven §37d).

Cross-border currency transportation requirements: Yes

Cross-border currency transportation is regulated and monitored. Declaration forms are used at border crossings.

Cooperation with foreign governments:

Norway actively cooperates with other governments to combat money laundering and terrorist financing.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

In December 2009, a Swedish painter was convicted of laundering of $2.5 million in the construction industry. The man had issued invoices, signing off on payments for work that had never been performed. The man confessed and was sentenced to prison. Two partners are also on trial in the same case for money laundering, misappropriation of funds and tax fraud totaling $7 million.

In 2009, a Norwegian district court sentenced a man to one year in prison for contributing to money laundering through his unregistered hawala-type payment institution. The man set up the illegal transaction service in 2007 and helped fellow Afghanis transfer approximately $3.5 million in small installments. The business was uncovered when the man was pulled into an ongoing narcotics investigation, and it was revealed he had laundered narcotics proceeds. This is only the second sentence in Norway relating to hawala.

U.S.-related currency transactions: No

Records exchange mechanism with U.S.:

Norway's FIU is able to exchange information with the Financial Crimes Enforcement Network.

International agreements:

Norway 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

Norway is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/61/55/35535328.pdf

Recommendations:

The Government of Norway should continue to enhance its AML/CFT regime, as appropriate.

Oman

Oman is not a regional or offshore financial center. Money laundering in Oman is not believed to be a significant problem. However, the country's financial system remains susceptible to criminal activity and Oman's long coastline and relatively porous borders remain vulnerable to illegal transit by migrant workers, smugglers, human trafficking victims, terrorists, and individuals involved in the traffic and sale of illegal drugs. There is a robust smuggling network with Iran across the Strait of Hormuz via small fast boats, and smuggling in general across Oman's borders and coastline remains a concern, especially because Oman sits along key narcotics trafficking routes.

Offshore Center: No

Free Trade Zones: Yes

Oman is developing the Salalah Free Zone.

Criminalizes narcotics money laundering: Yes

The Law of Narcotics and Psychotropics Control issued by Royal Decree 17/99 on March 6, 1999 criminalizes narcotics money laundering.

Criminalizes other money laundering, including terrorism-related: Yes

In March 2002, Royal Decree No. 34/2002 establishes The Law of Money Laundering. This law strengthens existing money laundering regulations by detailing bank responsibilities, widening the definition of money laundering to include funds obtained through any criminal means, and providing for the seizure of assets. Royal Decree 72/2004 of July 7, 2004, promulgates the implementing regulations for the Law of Money Laundering.

Criminalizes terrorist financing:

(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/)

Royal Decree 8/2007 of January 22, 2007 sets forth the Law on Combating Terrorism. Under this law, individuals found guilty of funding terrorist organizations are subject to imprisonment. Acts of terrorism are considered crimes under article 132 of the Omani Penal Code. Reportedly, Omani authorities are currently working towards finalizing a draft comprehensive counter-terrorism financing law.

Know-your-customer rules: Yes

Regulations set forth by the Central Bank of Oman (CBO) require banks to know their customers. Individuals have to be resident in Oman in order to open an account and transfer funds. For foreign bank transfers, Omani banks require complete documentation of the source of the funds before approving the transaction. In addition to financial institutions, Ministerial Decision 82/2008 issued by the Ministry of Commerce and Industry on September 23, 2008 requires dealers of precious metals and stones, real estate brokers, and accounting services to verify the identity of their clients and document transactions, including the personal data of each client and date and details of the transaction.

Bank records retention: Yes

Ministerial Decision 82/2008 requires covered entities to maintain client and transaction records for a period of at least ten years and to keep all relevant correspondence and documents for at least five years.

Suspicious transaction reporting: Yes

Obligated entities are required to file suspicious transaction reports (STRs) with the financial intelligence unit (FIU).

Large currency transaction reporting:

No information available.

Narcotics asset seizure and forfeiture:

Narcotics and money derived from the illegal trade in narcotics are seized and forfeited to the Royal Oman Police.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements:

No information available.

Cooperation with foreign governments:

Oman is a member of the Gulf Cooperation Council (GCC). No formal mechanism exists for information sharing among the Central Banks or financial crimes units of the GCC members, although a banking supervision committee within the GCC issues broad guidelines for financial institution oversight. The Royal Oman Police's (ROP) Financial Crimes Directorate has indicated it enjoys a good relationship with GCC counterparts in the exchange of information on suspicious transactions.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Informal lending societies reportedly have emerged in recent years as an alternative to the formal banking sector in Oman. These societies provide interest-free loans as a means for Omanis to purchase homes and cars or service bank debts. The informal lending societies are particularly attractive as they accord with the tenets of Sharia. The societies have been the target of three separate warnings from the Ministry of Social Development, calling on Omanis to avoid these financial entities. Transactions in these societies are made in cash, and the societies are not registered with or regulated by any government agency or institution. While this business constitutes only a fraction of overall financial transactions in Oman, it has merited greater scrutiny on the part of ROP and CBO authorities.

A current problem in Oman concerns individuals from outside the Gulf who establish shell companies, complete with bank accounts, aided by an Omani sponsor. Omani sponsors are commonplace due to the Foreign Investment Law which requires foreign businesses to obtain an Omani partner with at least a 30% share in the business. The Omani sponsor oftentimes is unaware of the day-to-day activities of the company he is sponsoring and simply receives a percentage of the profits; therefore, Omani sponsors are unaware when a company is a front for money laundering. Despite the actions taken by the ROP and the CBO in recent years, such suspicious financial transactions continue to occur.

Oman distributes the UN 1267 Sanctions Committee lists to all banks and other financial institutions for checking against their accounts.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

No information available.

International agreements:

Oman 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 - No

Oman is a member of the Middle East North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force-style regional body. There is no mutual evaluation report yet.

Recommendations:

The Government of Oman should continue to implement its anti-money laundering program and work to ensure cooperation among its various legal and financial enforcement agencies. The government should also dedicate adequate resources to the training of criminal investigators to launch money laundering investigations from the field. Detecting money laundering through smuggling networks should be a primary concern. Oman also should become a party to the UN Convention for the Suppression of the Financing of Terrorism and the UN Convention against Corruption.

Pakistan

Pakistan continues to suffer from financial crimes related to narcotics trafficking, terrorism, smuggling, tax evasion, corruption, counterfeit goods and fraud. 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.

Papua New Guinea

Papua New Guinea (PNG) is not considered a major financial center. It has a relatively stable banking system closely integrated with the financial systems of Australia and New Zealand. Smuggling and public corruption are problems in PNG but there is no evidence these activities generate substantial funds that are laundered. PNG is developing anti-money laundering/counter-terrorist financing countermeasures.

Offshore Center: No

Free Trade Zones: **No**

Criminalizes narcotics money laundering: See below

Criminalizes other money laundering, including terrorism-related:

PNG passed the Proceeds of Crime Act 2005 (POCA) to criminalize money laundering and set out preventative measures. The POCA does not reference terrorist financing or any specific predicate offenses.

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/)

There is a counter-terrorism act before PNG's parliament, but it is unclear if it covers terrorist financing.

Know-your-customer rules:

Part 2, section 20 of the POCA provides for customer due diligence measures by financial institutions, insurance and securities companies, and designated non-financial businesses and professions.

Bank records retention: Yes

Financial institutions are required to retain bank records seven years from the day when the initial business relationship takes place, according to Part 2, section 19 of the POCA.

Suspicious transaction reporting: Yes

The POCA requires a covered entity to file a suspicious transaction report with the financial intelligence unit (FIU) if it has reasonable grounds to suspect that information it has concerning the transaction may be relevant to the investigation or prosecution of a person for a serious offense.

Large currency transaction reporting: Yes

The POCA requires covered entities to report any international wire transfer or transaction of K10,000 (approximately $3,700) or more in cash to the FIU, unless the counterparty is another covered entity.

Narcotics asset seizure and forfeiture:

The POCA provides for the forfeiture of property used in connection with the commission of offenses, and deprives persons of the proceeds and benefits derived from the commission of offenses and related purposes. PNG has executed a number of illegal cargo and equipment seizures over the past several years.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements:

PNG has customs regulations which limit the amount of currency and negotiable instruments that can be brought into and taken out of the country at any given time. Information regarding possession of currency and other liquid assets is explicitly requested on customs declaration cards.

Cooperation with foreign governments:

There are no known impediments to cooperation. The PNG works closely with Australian authorities.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

In 2009, there were three money laundering investigations underway but no successful prosecutions.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

No information available.

International agreements:

PNG 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 - No
- the UN Convention against Corruption - Yes

PNG became a member of the Asia/Pacific Group on Money Laundering, a Financial Action Task Force-style regional body, in 2008. There are is no mutual evaluation report.

Recommendations:

The Government of Papua New Guinea should continue its work to develop procedures to conform to international anti-money laundering/counter-terrorist financing programs and procedures. The PNG should criminalize terrorist financing. Papua New Guinea should become a party to the UN Convention against Transnational Organized Crime and the 1988 UN Drug Convention.

Paraguay

Paraguay is a major drug transit country and money laundering center. A multi-billion dollar contraband trade 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.

Peru

Peru is not a major regional financial center. Peru ranks as the world's second largest producer of cocaine. The Government of Peru (GOP) estimates that approximately $3 billion moves illegally through the Peruvian financial sector, which is approximately 2.4 percent of Peru's gross domestic product. Eighty-three percent of this amount relates to drug trafficking, drug operations and businesses, and the remaining 17 percent relates to fiscal fraud, corruption, and illegal gun dealing. As a result, money laundering occurs on a significant scale to integrate these illegal proceeds into the Peruvian economy. The most common methods of money laundering in Peru involve real estate sales, business investments, and high interest loans. Other vulnerabilities to money laundering include Peru's cash-based and heavily-dollarized economy with a large informal sector, pervasive corruption, and the lack of effective regulatory supervision of non-financial businesses and professions, such as informal remittance and wire transfer services.

Offshore Center: No

Free Trade Zones: Yes

Peruvian law currently covers two types of free trade zones: export, transformation, industry, trade and services zones (CETICOS), located at Ilo, Matarani and Paita, with one authorized but not operating at Loreto; and a free trade zone (ZOFRATACNA) in Tacna. The rules and tax benefits applying to these zones are the same for foreign and national investors.

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

Law 27.765, enacted in 2002, criminalizes money laundering in Peru and expands the predicate offenses for money laundering to include the laundering of assets related to all serious crimes, such as narcotics trafficking, terrorism, corruption, trafficking of persons, and kidnapping. There does not have to be a conviction relating to the predicate offense; rather, it must only be established the predicate offense occurred and the proceeds of crime from that offense were laundered. The law's brevity and lack of implementing regulations, however, limits its effectiveness in obtaining convictions. In addition, revisions to the Penal Code criminalize "willful blindness" and impose a prison sentence for failure to file suspicious transaction reports (STRs).

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 has not yet been specifically and fully established as a crime under Peruvian legislation in a manner that would conform to international standards. The only reference to terrorism as a crime is in Executive Order 25.475, which establishes the punishment of any form of collaboration with

terrorism, including economic collaboration. There are several bills pending in the Peruvian Congress concerning the correct definition of the crime of terrorist financing.

Know-your-customer rules: Yes

Obligated entities are required to know and record the identity of customers engaging in significant currency transactions, and personal background information is required to open a bank account, conduct financial transactions, and claim prizes in casinos.

Bank records retention: Yes

Obligated entities must maintain reports on large cash transactions. Individual cash transactions exceeding $10,000 or transactions totaling $50,000 in one month must be maintained in internal databases for a minimum of five years and made available to the UIF upon request.

Suspicious transaction reporting: Yes

The financial intelligence unit (FIU), Unidad de Inteligencia Financiera del Peru (UIF), is responsible for receiving, analyzing and disseminating STRs filed by obligated entities. The entities obligated to report suspicious transactions include banks, financial institutions, insurance companies, stock funds and brokers, the stock and commodities exchanges, credit and debit card companies, money exchange houses, mail and courier services, travel and tourism agencies, hotels and restaurants, notaries, the customs agency, casinos, auto dealers, construction or real estate firms, notary publics, and dealers in precious stones and metals. Law 28.306, enacted in 2004, extends STR filing requirements to terrorist financing and expands the UIF's functions to include the analysis of reports related to terrorist financing. The UIF received 2,379 STRs in 2008 and 7,710 in 2009.

Large currency transaction reporting: No

Obligated entities must maintain reports on large cash transactions but only report to the UIF upon request.

Narcotics asset seizure and forfeiture:

In 2007 an asset forfeiture law went into force and the GOP modified the penal code to provide more comprehensively for seizure of assets, money, earnings, or other products or proceeds of crime.

Narcotics asset sharing authority:

No information was provided on Peru's ability to share forfeited assets with foreign governments.

Cross-border currency transportation requirements: Yes

Individuals or entities transporting more than $10,000 in currency or monetary instruments into or out of Peru must file reports with the customs agency, and the UIF may have access to those reports upon request. The UIF is authorized to sanction persons and entities for failure to report the transportation of currency or monetary instruments. These reporting requirements, however, are not being strictly enforced by the responsible GOP entities.

Cooperation with foreign governments:

No known impediments exist to cooperation.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

The UIF sent 781 suspected cases stemming from STRs to the Public Ministry for investigation in 2009, a significant increase from 2008 in which 123 STRs were sent. Currently, 308 of these intelligence reports are at various stages of investigation and prosecution in the Peruvian legal system as compared to only

four last year. To date, there has not been a money laundering conviction in Peru. Convictions tend to be for lesser offenses which are easier to prosecute and win a conviction.

Corruption remains an issue of serious concern in Peru. The GOP estimates the public budget loses 15 percent per year due to corruption. In July 2009, former president Alberto Fujimori was convicted on corruption charges. Also in 2009, the Peruvian National Police Anti-Drug Directorate arrested the Mayor of Pucallpa and 13 others on charges of laundering drug trafficking proceeds through commercial enterprises.

Some obligated entities remain unsupervised. For instance, only money remittances made through electronic fund-transfer businesses (ETFs) that do more than 680,000 soles (approximately $200,000) in transfers per year are supervised. As a result, informal remittance businesses, including travel agencies and small wire transfer businesses, are unsupervised.

The casino sector continues to be a difficult sector to regulate since as much as 60 percent of the sector operates informally. An assessment of the gaming industry conducted by GOP and U.S. officials in 2009 identified deficiencies in oversight, including that there are no restrictions on cash-to-cash, cash-to-check, or cash-to-wire transfer transactions in casinos. Approximately 750 establishments and 60,000 slot machines operate in Peru. The licensing process lacks any significant background investigation component and the Gaming Board has little enforcement authority.

Some requests by the FIU for reports of transactions over $10,000—such as deposits into savings accounts—are protected under the constitution by bank secrecy provisions and require an order from the Public Ministry or SUNAT, the tax authority. A period of 15 to 30 days is required to lift the bank secrecy restrictions.

U.S.-related currency transactions:

Peru's economy is heavily dependent upon the US dollar. Approximately 75 percent of the economy is informal and approximately 65 percent is dollarized, allowing traffickers to handle large bulk shipments of US currency with minimal complications. Currently, the GOP maintains no restrictions on the amount of foreign currency an individual can exchange or hold in a personal account.

Records exchange mechanism with U.S.:

Although an extradition treaty between the United States and the GOP entered into force in 2003, there is no mutual legal assistance treaty or agreement between the two countries. In 1991, an MOU for the exchange of information was signed between the Department of the Treasury and the Superintendent of Banks and Insurance companies. Additionally, the UIF is able to exchange information with the Financial Crimes Enforcement Network.

International agreements:

Peru 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 GOP is a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Money Laundering Experts Working Group. Peru is a member of the Financial Action Task Force (FATF) on Money Laundering in South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found here: http://www.gafisud.info/home.htm

Recommendations:

The Government of Peru faces several notable challenges to strengthening its anti-money laundering/counter-terrorist financing regime and ultimately conforming to international standards. Peru should pass legislation to criminalize terrorist financing as well as to allow for administrative and judicial blocking of terrorist assets. Bank secrecy should be lifted to allow the UIF to have access to certain large cash transaction reports in a timely fashion. There are a number of bills under review in the Peruvian Congress that would lift bank secrecy provisions for the UIF in matters pertaining to money laundering and terrorist financing and the GOP should ensure their expedient passage. Peru should expand its supervision and regulation of financial institutions and designated non-financial businesses and professions, and the GOP should permit Peru's UIF to work directly with law enforcement agencies. The UIF should be given greater autonomy and the capacity of law enforcement and prosecutors should be raised in order to facilitate investigations and prosecution. Additionally, enhanced collaboration between the various oversight entities and with the tax authority should remain a priority for the future. Anti-corruption efforts in Peru should also be a priority. Peru's gaming law needs to be amended to include strengthening licensing provisions and giving the Gaming Board taxing, enforcement and investigation authority. Amendments to appropriate legislation should be made to require the reporting of large currency transactions and prohibited transactions within the gaming industry.

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.

Poland

Poland lies directly along one of the main routes between the former Soviet Union republics and Western Europe used by narcotics traffickers and organized crime groups. According to Polish Government estimates, narcotics trafficking, organized crime activity, auto theft, smuggling, extortion, counterfeiting, burglary, and other crimes generate criminal proceeds in the range of $3 - $5 billion each year. According to the Government of Poland (GOP), evasion of customs duties and taxes is the largest source of illegal income. Fuel smuggling, by which local companies and organized crime groups seek to avoid excise taxes by forging gasoline delivery documents, is a major source of laundered proceeds. Money laundering through trade in scrap metal and recyclable material is a growing trend, as is the increasing activity of organized crime in the financial services area (internet banking, credit cards and electronic systems for money transfers). There are a growing number of cases involving entities located in tax haven countries. It is also believed that some money laundered in Poland originates in Russia or other countries of the former Soviet Union. The GOP estimates the gray economy, used primarily for tax evasion, may exceed 15 percent of Poland's gross domestic product (GDP) for 2009. The GOP estimates the black economy comprises only one percent of GDP. Poland is not considered an important regional financial center, nor is it considered a particularly important international destination for money laundering. The GOP considers the nation's banks, insurance companies, brokerage houses, and casinos to be important venues of money laundering. The Finance Ministry maintains that the effectiveness of actions against money laundering involving transfer of money to so-called tax havens is limited.

Offshore Center:

No information available.

Free Trade Zones:

No information available.

Criminalizes narcotics money laundering: Yes

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

The Criminal Code criminalizes money laundering for all serious crimes. Article 299 of the Criminal Code addresses self-laundering and criminalizes tipping off. A new anti-money laundering/counter-terrorist financing (AML/CFT) law, the Act on Counteracting Money Laundering and Terrorism Financing (AML/CFT Law) that came into force on October 21, 2009, amends the Polish Penal Code, extending it to give greater coverage of money laundering and the financing of 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/

The Penal Code has been amended to provide for an autonomous offense of terrorism financing as part of the new AML/CFT Law. According to the new legislation, provision of funds for a terrorist organization for any purposes, even legitimate ones, can be considered as a form of participation in the criminal group and incur criminal liability.

Know-your-customer rules: Yes

The November 2000 Act on Counteracting Introduction into Financial Circulation of Property Values Derived from Illegal or Undisclosed Sources and on Counteracting the Financing of Terrorism, as amended, (the 2000 Act) requires customer identification, record keeping and reporting by covered entities.

Bank records retention: Yes

The 2000 Act requires banks to keep records for five years.

Suspicious transaction reporting: Yes

Reporting entities must file suspicious transaction reports (STRs), regardless of the size of the transaction with the financial intelligence unit (FIU). Entities subject to the reporting requirements include banks, the National Depository for Securities, post offices, auction houses, antique shops, brokerages, casinos, insurance companies, investment and pension funds, leasing firms, private currency exchange offices, real estate agencies, notaries public, lawyers, legal counselors, auditors, and charities, as well as the National Bank of Poland in its functions of selling numismatic items, purchasing gold, and exchanging damaged banknotes. In 2008, the FIU received a total of 17,227 STRs of which 17,214 were money laundering-related and 13 reported suspected terrorist financing. As a result of its analysis, the FIU demanded the suspension of one transaction for PLN 9,000 (approximately $3,200) and the freezing of 319 accounts worth an estimated PLN 20.5 million (approximately $7,300,000). Altogether, the FIU submitted 246 notifications to the Public Prosecutor's Office under Article 299, representing an estimated PLN 1.03 bln (approximately $370,000,000).

Large currency transaction reporting: Yes

The law requires casinos to report the purchase of chips worth 1,000 euros (approximately $1,500) or more, and covered institutions must notify the FIU of all transactions exceeding 15,000 euros (approximately $22,500).

Narcotics asset seizure and forfeiture:

Article 45 of the criminal code reverses the burden of proof so that an alleged perpetrator must prove his assets have a legal source; otherwise, the assets are presumed to be related to the crime and the government can seize them.

The total value of all money laundering-related property seized in 2008 was approximately PLN 65.4 million (approximately $23,300,000). In 2008, the DFI froze 202 accounts worth an estimated PLN 10.3 million (approximately $3,700,000).

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: Yes

As of June 15, 2007, travelers entering Poland from a non-European Union (EU) country or traveling to a non-EU country with 10,000 euros (approximately $15,000) or more must declare their cash or monetary instruments in writing. Poland's customs law requires travelers to complete and present a customs and currency declaration if they are transporting more than the threshold amount upon entry.

Cooperation with foreign governments (including refusals):

No legal impediments exist to cooperation. Polish law requires the FIU to have memoranda of understanding (MOUs) with other international competent authorities before it can participate in information exchanges.

U.S. or international sanctions or penalties:

As of June 2008, the European Commission (EC) was pursuing an infringement action against Poland for failing to adopt and implement the Third EU Anti-Money Laundering Directive into national law by the mandated deadline. In January 2009, the EC made the decision to refer Poland to the European Court of Justice over its non-implementation of this Directive. The GOP believes the anti–money laundering legislation which became effective in October 2009 satisfies the requirements of the Third EU Directive.

Enforcement and implementation issues and comments:

The Polish Bar mounted a challenge against certain provisions of the legislation, and submitted a motion to the Constitutional Tribunal to determine the consistency of various regulations with ten articles of the Polish Constitution. On July 2, 2007, the Constitutional Tribunal issued a ruling that lawyers are allowed to refrain from notifying the relevant authorities of suspicious transactions when they provide legal assistance to and determine the legal status of a client.

The efficient processing and analysis of the large number of filed reports is a challenge for the understaffed FIU.

From January to July 2009, Polish Prosecution brought money laundering (ML) charges against 89 persons in 37 cases. In seven cases, evidence was not sufficient to bring ML charges. Through July 1, 2009, 25 indictments were issued and 97 people were accused of ML offenses. In the same period of time, the courts pronounced ten sentences, finding 29 people guilty of ML. No terrorist financing prosecutions have been undertaken.

Poland has also created its own terrorist watch list of entities suspected of involvement in terrorist financing. The list contains the names of suspected terrorists and terrorist organizations listed on the UNSCR 1267 Sanctions Committee's consolidated list, the names of Specially Designated Global Terrorists designated by the U.S. pursuant to Executive Order 13224, and the names designated by the EU under its relevant authorities.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

A Mutual Legal Assistance Treaty (MLAT) between the United States and Poland came into force in 1999. A MOU between the Polish FIU and the U.S. FIU was signed in fall 2003.

International agreements:

Poland has signed bilateral MLATs with Sweden, Finland, Ukraine, Lithuania, Latvia, Estonia, Germany, Greece, and Hungary. The DFI has been diligent in executing MOUs with its counterparts in other countries and now has 39 MOUs.

Poland 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

Poland is a member of the Council of Europe's Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Poland_en.asp

Recommendations:

Over the past year, the Government of Poland (GOP) has gone to great lengths to strengthen and harmonize its AML/CFT legal and regulatory tools and institutions with international standards. The creation of the autonomous offense of terrorist financing was a commendable step forward. However, work remains to ensure effective implementation. Poland should ensure promulgating regulations for compliance with the Third Money Laundering Directive are fully effective. The GOP should promote additional capacity building in the private sector and continue to improve communication and coordination between the FIU and relevant law enforcement agencies. Police and customs authorities, in particular, should receive training on recognizing money laundering and terrorist financing

methodologies, including trade-based money laundering and informal value transfer systems. The FIU should be provided with sufficient resources and personnel to efficiently handle the large volume of reports it receives. The Code of Criminal Procedure also should be amended to specifically allow the use of special investigative measures in money laundering investigations, which would assist law enforcement in its efforts to attain a better record of prosecutions and convictions.

Portugal

Portugal is an entry point for narcotics transiting into Europe, and officials of the Government of Portugal (GOP) indicate the majority of money laundered in Portugal is narcotics-related. Its long coastline, vast territorial waters and privileged relationships with countries in Latin America and Africa make it a gateway country for Latin American cocaine and a trans-shipment point for drugs coming from North Africa entering Europe. Portuguese authorities have also detected criminal funds being placed into the financial system from smuggled commodities, particularly tobacco products. Authorities have also noted significant criminal proceeds from corruption, traffic in works of art and cultural artifacts, extortion, embezzlement, tax offenses, and aiding or facilitating illegal immigration. Currency exchanges and real estate purchases are often used for laundering criminal proceeds.

Offshore Center:

The Madeira International Business Center (MIBC), on the island of Madeira, has a free trade zone, an international shipping register, offshore banking, foreign trusts, holding companies, stock corporations, and private limited companies. The latter two categories, similar to international business corporations, account for approximately 6,500 companies registered in Madeira. Foreign trusts recognized by Portuguese law are submitted to a specific Commercial Registry and are forbidden from performing banking, insurance, and securities activities. All entities established in the MIBC maintain beneficial tax status until 2020. Companies in Madeira can also take advantage of Portugal's double taxation agreements. Decree-Law 10/94 permits existing banks and insurance companies to establish offshore branches. Twenty-seven banks are currently licensed to operate within the MIBC. Like domestic banks, the credit and financial institutions established in the MIBC are supervised by the Bank of Portugal (BoP). Although Madeira has some local autonomy, Portuguese and European Union (EU) legislative rules regulate its offshore sector, and the competent oversight authorities supervise it, including for anti-money laundering/counter-terrorist financing (AML/CFT) purposes. There is no known evidence the MIBC has been used for money laundering or terrorist financing.

Free Trade Zones: Yes

See above.

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

Portugal has a comprehensive AML/CFT regime that criminalizes the laundering of proceeds of serious offenses, including terrorism, arms trafficking, kidnapping, and corruption. The Criminal Code, amended by Law 59/2007 of September 2007, defines money laundering, expands the list of crimes related to money laundering, and makes legal entities criminally liable. In June 2008, Portugal enacted Law 25/2008, the new AML/CFT Law, which enhances the AML/CFT system and also covers all banks, financial institutions, insurance companies and trusts registered in the MIBC. Portugal employs an all-crimes approach to the predicate 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/)

Portugal's anti-terrorism law, Law 52/2003, as amended by Law 25/2008, defines terrorist acts and organizations and criminalizes terrorist financing as an autonomous offense. It also addresses the criminal liability of legal persons for terrorist financing.

Know-your-customer rules: Yes

All financial institutions must identify their customers and demand written proof from customers regarding the origins and beneficiaries of transactions that exceed 12,500 euros (approximately $17,000). Designated non-financial businesses and professions (DNFBPs) such as casinos, property dealers, lawyers, accountants, lotteries and dealers in high-value assets, must also identify customers engaging in large transactions, maintain records, and report suspicious activities. Law 25/2008 includes enhanced due diligence requirements for entities dealing with politically exposed persons (PEPs).

Bank records retention: Yes

All financial institutions must maintain customer records for a minimum of seven years.

Nonfinancial sectors such as casinos, property dealers, lotteries and dealers in high-value assets, must also maintain records.

Suspicious transaction reporting: Yes

Financial institutions are required to file suspicious transactions reports (STRs). Law 25/2008 broadened the GOP's AML regime by mandating credit institutions, investment companies, life insurance companies, traders in high-value goods, and other entities also file STRs. Portugal's Unidade de Informação Financeira, or Financial Intelligence Unit (FIU) is responsible for gathering, processing, and publishing information pertaining to investigations of money laundering, tax crimes, and terrorist financing. In 2007, the FIU received 870 suspicious transaction reports (STRs). The FIU also received over 21,800 other reports, primarily from the General Inspectorate for Gaming.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture:

Portuguese laws provide for the confiscation of assets connected to money laundering and terrorist financing and authorize the Judicial Police to trace illicitly obtained assets (including those passing through casinos and lotteries), even if the predicate offense occurs outside of Portugal. The law allows the Prosecutor General's Office to request a lien on the assets of individuals under prosecution in order to facilitate asset seizures related to narcotics and weapons trafficking, terrorism, and money laundering. In 2009, Portugal enacted several laws governing the seizure and confiscation of assets to comply with its European Union and other international obligations. While these laws are not directly related to AML/CFT, they will have an indirect impact on enforcement. Law 88/2009, for example, relates to the issuance and execution of confiscation decisions of criminal assets.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: Yes

Decree-Law 295/2003 sets out reporting requirements for the cross-border transportation of cash, non-manufactured gold, and certain negotiable financial instruments, such as travelers' checks. Under Decree-Law 61/2007 travelers entering Portugal with more than 10,000 euros (approximately $13,600) worth of such assets, coming from a non-EU country or leaving Portugal for a non-EU country, must declare the assets to Portuguese customs officials. If the traveler comes from an EU country, the traveler is required to declare sums of 10,000 euros or more, if requested by an official.

Cooperation with foreign governments: Yes

Portugal's ability to co-operate internationally in criminal matters is outlined in Article 229 of the Criminal Procedure Code and more specifically in Law 144/99. Portugal is a party to a number of multilateral and bilateral agreements governing law enforcement and financial crimes.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

In 2008, Portuguese authorities pursued 141 investigations and 33 prosecutions and obtained 15 convictions for money laundering. During the first six months of 2009, Portuguese authorities conducted 62 investigations and 10 prosecutions.

Names of individuals and entities included on the UN Security Council Resolution 1267 Committee's consolidated list, or that the United States or EU have linked to terrorism, are passed to financial sector entities through the BoP, the Securities Market Commission, and the Portuguese Insurance Institute. For DNFBPs, the lists are passed through the oversight entities. Although Portugal does not have an administrative procedure to freeze assets, judicial procedure exists for the Prosecutor General to open a special inquiry and to freeze assets immediately at the request of a foreign country. To date, no significant assets have been identified or seized.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

The United States and Portugal are parties to a mutual legal assistance treaty and actively cooperate in information exchange. Portugal's FIU is able to exchange information with the Financial Crimes Enforcement Network.

International agreements:

Portugal 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

Portugal is a member of the Financial Action Task Force. Its most recent mutual evaluation report can be found here: http://www.fatf-gafi.org/dataoecd/55/49/37708742.pdf

Recommendations:

The Government of Portugal (GOP) has implemented a comprehensive and effective regime to combat money laundering and spent several years strengthening its capacity to investigate and prosecute money laundering and terrorist financing cases. Legislative measures have consolidated the AML/CFT legal framework, imposing on financial and non-financial institutions obligations to prevent the use of the financial system for the purpose of money laundering and terrorist financing. With the passage of laws on seizure and confiscation, Portugal continued to implement these measures in 2009 to combat effectively money laundering and terrorist financing. The GOP should work to correct identified deficiencies in its asset freezing regime and improve its mechanisms to determine beneficial owners in the public registers.

Qatar

Supported by energy-driven double-digit economic growth in recent years, Qatar is an increasingly important banking and financial services center in the Gulf. Despite the growth of the banking sector and increasing options for financial services, Qatar still has a largely cash economy. Traditionally, Qatar has

had a low rate of financial crime, although crime rates have increased in recent years. Moreover, there are several trends which make Qatar increasingly vulnerable to money laundering, including: a large number of expatriate laborers who send remittances to their home countries; the growth in trade and the financial sector's expansion; liberalization and growth in the real estate sector; increases in the price of precious metals; uneven corporate oversight; and, an apparent lack of financial crimes enforcement.

The Qatar Financial Center (QFC) allows major international financial institutions and corporations to set up offices with 100 percent foreign ownership. Currently, there are a variety of banks, investment companies, insurance houses, and related professional services. QFC firms are limited to providing services to wholesale clients, except for insurance companies that can provide services to both wholesale and retail clients. The QFC has a separate, independent regulatory authority, the QFC Regulatory Authority. There are plans underway to create a unified regulatory authority for the country, though it remains unclear when the necessary legislation and oversight board will be in place, and also how Gulf Cooperation Council (GCC) plans for a unified currency and central banking system sometime after 2010 will affect Qatar's regulatory plans.

Offshore Center: No

Free Trade Zones: Yes

Companies operating at the Qatar Science and Technology Park (QSTP) can import goods and services duty free. Qatar is also planning to establish three free-trade zones, but no definite time frame has been announced for their establishment.

Criminalizes narcotics money laundering:

Qatar's anti-money laundering/counter-terrorist financing (AML/CFT) legal framework is currently based on the Anti-Money Laundering Law (28) of 2002 (AML Law), as amended by Decree Law (21) of 2003, which criminalizes money laundering.

Criminalizes other money laundering, including terrorism-related: Yes

According to Article 2 of the AML Law, money laundering offenses involve the acquisition, holding, disposal of, managing, keeping, exchanging, depositing, investing, transferring, or converting of funds from illegal proceeds. The AML Law does not appear to cover all predicate offenses designated in international standards, and it does not give authorities jurisdiction over predicate offenses that were entirely committed in another country, even if there is dual criminality. Qatar is currently undergoing a self-assessment of AML risk.

Criminalizes terrorist financing:

(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 February 2004, the Government of Qatar (GOQ) passed the Combating Terrorism Law. According to Article Four of the law, any individual or entity that provides financial or logistical support, or raises money for activities considered terrorist crimes, is subject to punishment.

The law's effectiveness has yet to be tested, as there have been no prosecutions for money laundering or terrorist financing crimes since its enactment. Authorities have investigated terrorist activity in Qatar, but no measures were taken to investigate their funding.

Know-your-customer rules: Yes

Banks are required to know their customers; the banking system is considered open in that, in addition to Qatari citizens and legal foreign residents, nonresidents can open an account based on a reliable recommendation from his or her primary bank. Anonymous accounts or accounts in fictitious names are

allowed. Preventive measures for financial institutions in the domestic sector fall short of addressing a vast majority of international customer due diligence standards.

Bank records retention: Yes

The AML law requires all financial institutions to report suspicious transactions to the Financial Information Unit and retain records for up to 15 years.

Suspicious transaction reporting: Yes

In October 2004, the GOQ established a financial intelligence unit (FIU) known as the Qatar Financial Information Unit (QFIU). The FIU is responsible for receiving and reviewing all suspicious and financial transaction reports and recommending actions to be taken if suspicious transactions or financial activities of concern are identified. There is no obligation imposed by primary or secondary legislation to report suspicious transactions related or linked to terrorist financing. The most recent published information available on the number of suspicious transaction reports (STRs) filed is from 2008. The FIU reports that close to 100 STRs were filed in 2009. The FIU does not protect adequately the information received nor does it conduct a periodic review of the effectiveness of its systems to combat money laundering and terrorist financing; reportedly, the quality of STR analysis also needs improving.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture:

Qatar adopted a comprehensive confiscation, freezing, and seizing framework under the AML Law which enables the authorities to remove all assets linked with a money laundering offense or its predicate. Confiscation is mandatory and must be applied even when it has not been requested by the prosecutors. Provisional measures have been taken in some instances (which all related to the freezing of bank accounts), but no confiscation has been ordered because no money laundering charges have been brought before the courts.

Narcotics asset sharing authority: No

The authorities have not considered establishing an asset forfeiture fund nor have they considered the sharing of confiscated property with foreign jurisdictions whose coordinated actions have led to the confiscation.

Cross-border currency transportation requirements: No

Qatar does not have mandatory cross-border currency reporting requirements. In suspicious cases, customs officials are given authority to require travelers to fill out forms declaring currency or other negotiable financial instruments in their possession. Officials then forward the traveler's information to the QFIU for evaluation. The current system is neither implemented nor effective.

Cooperation with foreign governments: Yes

Article 17 of the AML Law specifically provides that legal assistance, coordination, joint cooperation and extradition should be provided in money laundering investigations in accordance with the international agreements concluded by the State of Qatar.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Qatar has designated a number of competent authorities to investigate and prosecute money laundering and terrorist financing offenses. However, the various agencies do not appear to be sufficiently structured, funded, and resourced to effectively carry out their functions. There has been a lack of successful AML/CFT investigations, prosecutions, and convictions.

Qatar has a National Counter Terrorism Committee (NCTC) to review the consolidated UN 1267 terrorist designation lists and execute the obligations stated in UN Security Council's 1373, its successor resolutions, and other UN resolutions related to terrorism; it also recommends any necessary actions against individuals or entities found in Qatar. The committee and the Central Bank circulate to financial institutions the individuals and entities included on the UN 1267 Sanctions Committee's consolidated list.

Regarding Iran-related terrorism and proliferation transactions, the Central Bank ordered financial institutions to freeze any assets of entities listed in UNSCRs 1737, 1747, and 1803, and prohibits them from carrying out any transactions with listed entities. However, Iran's Bank Saderat—an entity of concern in UNSCR 1803—was allowed to open a second branch in Doha in June 2008.

Hawala transactions are prohibited by law in Qatar, though informal remittance systems do exist and the largely undocumented nature of these networks makes it difficult to judge prospective money laundering activity.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

The GOQ exchanges information with the United States on a case-by-case basis. The QFIU is able to exchange information with the Financial Crimes Enforcement Network.

International agreements:

Qatar 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

Qatar is a member of the Middle East and North Africa Financial Action Task Force (MENA-FATF) a Financial Action Task Force-style regional body. In lieu of a mutual evaluation, the International Monetary Fund (IMF) conducted an assessment. The report can be found here: http://www.menafatf.org/images/UploadFiles/QatarMER1.pdf

Recommendations:

The Government of Qatar (GOQ) should continue to implement AML/CFT policies and procedures that adhere to international standards. Qatar should review and amend its legislation, as necessary, to ensure its money laundering and terrorist financing laws comport with international standards. Additionally, the GOQ should enhance its customer due diligence requirements and assure all relevant financial institutions and nonfinancial businesses and professions are subject to record keeping and reporting requirements. The GOQ should enhance training for law enforcement, prosecutors, and customs authorities so they can improve their capabilities in recognizing and pursuing various forms of terrorist financing, money laundering and other financial crimes. The FIU should continue its efforts to address deficiencies in the AML/CFT regime.

Romania

Romania's geographical location makes it a natural transit country for trafficking in narcotics, arms, stolen vehicles, and persons by transnational organized criminal elements. As such, the nation is vulnerable to financial activities associated with such crimes, including money laundering. Tax fraud, fraudulent claims in consumer lending, and trans-border smuggling of counterfeit goods are additional types of financial crimes prevalent in Romania. Laundered money comes primarily from international crime syndicates who conduct their criminal activity in Romania and subsequently launder their illicit

proceeds through illegitimate front companies. Another source of laundered money is the proceeds of illegally smuggled goods such as cigarettes, alcohol, gasoline, and other dutiable commodities. Commercial transactions have been the main method of money laundering, primarily through use of shell and off-shore companies; this primarily involves fraudulent claims for value added tax (VAT) reimbursement. Romania also has some of the highest rates of cybercrime and online credit card fraud in the world. Studies have found Romanian servers to be the second largest source of cybercrime transactions worldwide. Although a majority of their victims reside in the United States, Romanian cyber-criminals are increasingly targeting victims elsewhere in Europe as well as in Romania itself.

Offshore Center: No

Free Trade Zones: Yes

Romania has one free trade zone, located at the Port of Constanta. Law 84/1992 and its subsequent amendments regulate free zones under the authority of the Free Zone Administration. According to European Union (EU) legislation, free zones will be allowed to exist until January 1, 2011.

Criminalizes narcotics money laundering: Yes

Romania's Law No. 21/99, on the Prevention and Punishment of Money Laundering, criminalizes money laundering.

Criminalizes other money laundering, including terrorism-related: Yes

The Law on the Prevention and Sanctioning of Money Laundering (Law 656/2002) stipulates an "all crimes" approach for 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/)

The Government of Romania's (GOR) legislation, as amended by Emergency Ordinance 53/2008, provides that the production or acquisitions of means or instruments, with intent to commit terrorist acts, are offenses of the same level as terrorist acts themselves. Romania has a uniform approach to combating and preventing money laundering and terrorist financing and requires reporting entities to file suspicious transaction reports (STR).

Know-your-customer rules: Yes

In 2006, the National Bank of Romania (BNR) widened the scope of its know-your-customer (KYC) norms by extending their application to all other nonbanking financial institutions under its supervision. It also requires banks to undertake proper due diligence measures before entering into international correspondent relations and prohibits them from opening correspondent accounts with shell banks. Emergency Ordinance 53/2008 establishes simplified and enhanced due diligence requirements, prohibitions on anonymous bank accounts and a reporting category for politically exposed persons. The financial intelligence unit's (FIU) Governing Board has also issued regulations implementing KYC standards for nonfinancial reporting entities (casinos, notaries, real estate brokers, etc).

Bank records retention: Yes

According to Law 656/2002 and BNR Rule 9/2008, credit institutions must maintain copies of documents establishing individual clients' identities and legal status for at least five years from the termination of their business relationship with the client.

Suspicious transaction reporting: Yes

In addition to financial institutions, Romanian anti-money laundering legislation requires non-financial institutions such as art dealers, travel agents, privatization agents, postal officials, money service

businesses, and real estate agents to file STRs with the FIU. The FIU receives and processes intelligence and notifies the General Prosecutor's Office, or the Romanian Intelligence Service (SRI), if the case involves suspected terrorism financing. During the first ten months of 2009, the FIU received 2,658 STRs compared to 1,452 STRs received in the first nine months of 2008.

Large currency transaction reporting: Yes

Reporting entities, including financial institutions and intermediaries, must report cash transactions over 10,000 euros (approximately $13,600) to the FIU. During the first eleven months of 2009, the FIU received 43,461 currency transaction reports (CTRs), down from 61,372 CTRs for the same period in 2008.

Narcotics asset seizure and forfeiture:

Article 118 of the Romanian Criminal Code allows for asset seizure and forfeiture, including in cases of money laundering and terrorist financing. Additional asset seizure and forfeiture provisions are found in the Law on Combating Corruption, No. 78/2000, and the Law on Preventing and Combating Tax Evasion, No. 241, introduced in July 2005.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: Yes

Romania's National Customs Authority has been submitting to the FIU on a monthly basis all cash declarations by individuals of foreign and/or domestic currency equal to or exceeding 10,000 euros (approximately $13,600).

Cooperation with foreign governments:

Romania regularly cooperates in international money laundering and terrorist financing investigations and information exchanges. Romania is a member of and host country for the headquarters of the Southeast European Cooperative Initiative's (SECI) Center for Combating Trans-border Crime, a regional center that focuses on intelligence sharing related to criminal activities, including terrorism. In addition to a number of regional initiatives to combat terrorism, Romania has worked within the South East Europe Security Cooperation Steering Group (SEEGROUP), a working body of the NATO initiative for Southeast Europe to coordinate counter-terrorist measures undertaken by the states of southeastern Europe.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Since its establishment, the FIU has faced numerous political and operational challenges, including low staffing levels. The FIU is now working to improve its operations, emphasizing quality rather than quantity when analyzing suspicious transactions. Thus far, investigations have resulted in only a handful of successful prosecutions. Efforts to prosecute cases have been hampered by the lack of specialization and technical knowledge of financial crimes within the judiciary.

The BNR circulates to banks and financial institutions the lists of individuals and terrorist organizations provided by the United States, the UNSCR 1267 Sanctions Committee, and the EU. The law on terrorism provides for the forfeiture of assets used by or provided to terrorist entities, together with finances resulting from terrorist activity. To date, no terrorist financing arrests, seizures, or prosecutions have been reported.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

A Mutual Legal Assistance Treaty (MLAT) between the United States and Romania entered into force in October 2001. The Romanian FIU has signed a memorandum of understanding (MOU) with the Financial Crimes Enforcement Network.

International agreements:

Romania is a party to a number of MLATs; and the FIU has signed 47 bilateral MOUs with counterpart FIUs. In December 2009, SECI's 13 member states signed a new agreement, the Southeast European Law Enforcement Center (SELEC) Convention, which will enter into force once formally ratified by all members.

The GOR 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 GOR is a member of MONEYVAL, a Financial Action Task Force-style regional body. The most recent mutual evaluation report can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round3/MONEYVAL%282008%2906Rep-ROM3_en.pdf

Recommendations:

The Government of Romania (GOR) should continue its efforts to ensure that nonbank financial institutions are adequately supervised. Additionally, the knowledge level of the sector should be increased regarding its reporting and record keeping responsibilities and the identification of suspicious transactions. The GOR should continue to improve communication between reporting and monitoring entities, as well as between prosecutors and the FIU. In order to improve the rate of money laundering prosecutions and convictions, Romania should not become overly reliant on STRs and other forms of financial intelligence but rather empower law enforcement and customs authorities to detect and investigate money laundering at the street level and at borders and ports. Romania should improve implementation of existing procedures for the timely freezing, seizure, and forfeiture of criminal or terrorist-related assets. Romania should continue to make progress in combating corruption in government and commerce.

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.

Saudi Arabia

The Kingdom of Saudi Arabia is a growing financial center in the Gulf Region. Entities in Saudi Arabia continue to serve as an important source of funds for Sunni-based extremist groups. Saudi officials acknowledge difficulty in following the money trail with regard to illicit finance due to the preference for cash transactions in the country. Money laundering and terrorist financing are known to originate from Saudi criminal enterprises, private individuals, and Saudi-based charities. It is believed the proceeds of crime from stolen cars and counterfeit goods are substantial, but there is no indication of narcotics-related money laundering. There is an absence of official criminal statistics, but reportedly, there was no significant increase in financial crimes during 2009.

Offshore Center: No

Free Trade Zones:

There are no free trade zones for manufacturing, although there are bonded transit areas for the trans-shipment of goods not entering the country.

Criminalizes narcotics money laundering: Yes

In 2003 Saudi Arabia approved a new Anti-Money Laundering Law (AML Law) that contains criminal penalties for money laundering, including the proceeds of narcotics. The law bans conducting

commercial or financial transactions with persons or entities using pseudonyms or acting anonymously; and requires banks and financial institutions to report suspicious transactions.

Criminalizes other money laundering, including terrorism-related: Yes

The 2003 AML Law criminalizes the proceeds of criminal activity and the financing of terror.

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 addition to the AML Law, 2007 regulations state that "whoever funds terrorists or terror organizations is considered to be committing a crime of money laundering."

Know-your-customer rules: Yes

In May 2003, the Saudi Arabia Monetary Authority (SAMA) issued updated anti-money laundering/counter-terrorist financing (AML/CFT) guidelines for the Saudi banking system. The guidelines require banks to have mechanisms to monitor all types of "Specially Designated Nationals," as listed by SAMA; fund transfer systems to be capable of detecting specially designated nationals; banks to strictly adhere to SAMA circulars on opening accounts and dealing with charity and donation collection; and banks to be able to provide the remitter's identifying information for all outgoing transfers. The guidelines also require banks to use software to profile customers to detect unusual transaction patterns and establish a monitoring threshold of 100,000 Saudi riyals (approximately $26,700). SAMA also issued know-your-customer guidelines, requiring banks to freeze accounts of customers who do not provide updated account information.

Bank records retention: Yes

The AML Law requires financial institutions to maintain records of transactions for a minimum of ten years.

Suspicious transaction reporting: Yes

In 2005, the Saudi Arabian Government (SAG) established the Saudi Arabia Financial Investigative Unit (SAFIU), which acts as the country's financial intelligence unit (FIU). Saudi banks are required to file suspicious transaction reports (STRs) with the SAFIU. The SAFIU collects and analyzes STRs and makes referrals to the Bureau of Investigation and Prosecution, the Mabahith (the Saudi Internal Security Service), and the Public Security Agency for further investigation and prosecution. Statistics for suspicious transaction reporting are not available.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture:

SAMA is responsible for the tracing, freezing, and seizing of assets related to financial crimes. The banking community cooperates with SAMA regarding the tracing of funds as well as seizing and freezing of bank accounts. Existing laws on asset seizure and forfeiture are enforced by SAMA.

Narcotics asset sharing authority: No

There are currently no laws that allow the sharing of seized assets with other governments.

Cross-border currency transportation requirements: Yes

In June 2007, the SAG enacted stricter regulations on the cross-border movement of money, precious metals, and jewels. Money and gold in excess of 60,000 Saudi riyals (approximately $16,000) must be declared upon entry and exit from the country using official Customs forms. However, it is unclear to

what degree these procedures have been implemented or how effective they have been. Cash declarations as well as smuggling reports are entered into a database.

Cooperation with foreign governments:

The AML Law allows for the exchange of information and judicial actions against money laundering operations with countries with which Saudi Arabia has official agreements.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Hawala and money service businesses outside banks and licensed money changers are illegal in Saudi Arabia. Some instances of money laundering and terrorist financing in Saudi Arabia have involved hawala. To help counteract the appeal of hawala, particularly to many of the approximately six million expatriates living in Saudi Arabia, Saudi banks have taken the initiative to create fast, efficient, high quality, and cost-effective fund transfer systems that have proven capable of attracting customers accustomed to using hawala. In 2005, in an effort to further regulate the more than $16 billion in annual remittances that leave Saudi Arabia, SAMA consolidated the eight largest moneychangers into a single bank.

Saudi individual donors and unregulated charities have reportedly been a major source of financing to extremist and terrorist groups over the past 25 years. However, the Final Report of the National Commission on Terrorist Attacks Upon the United States, known as The 9/11 Commission, found no evidence that either the Saudi Government, as an institution, or senior Saudi Government officials individually, funded al-Qaida. A Government Accountability Office (GAO) report released on September 24, 2009 came to the same conclusion.

Although not directed at the SAG, in June 2008, the U.S. Department of the Treasury designated the Al Haramain Islamic Foundation (AHF), including its headquarters in Saudi Arabia, under Executive Order 13224 for having provided financial and material support to al-Qaida. Previously, the SAG joined the United States in designating several branch offices of AHF at the United Nations and, due to actions by Saudi authorities, AHF had largely been precluded from operating in its own name. Despite these efforts, AHF leadership attempted to reconstitute the operations of the organization, and parts of the organization continued to operate. AHF has long been aligned with many of the activities of the Muslim Brotherhood, with chapters in Western Europe, the Balkans, the United States, and Canada.

Banking rules implemented in 2003 that apply to all charities include stipulations that they can only be established in Saudi riyals; must adhere to enhanced identification requirements; must utilize one main consolidated account; and must make payments only by checks payable to the first beneficiary, which then must be deposited in a Saudi bank. Regulations also forbid charities from using ATM and credit cards for charitable purposes, from making cash contributions, and making money transfers outside of Saudi Arabia.

SAMA circulates to all financial institutions under its supervision the names of suspected terrorists and terrorist organizations on the UNSCR 1267 Sanctions Committee's consolidated list.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

No bilateral treaty exists between the United States and the SAG. The United States has experienced significant difficulty in obtaining documents and bank records pursuant to formal mutual legal requests made to the SAG.

International agreements:

The SAFIU became a member of the Egmont Group in May 2009.

Saudi Arabia 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

Saudi Arabia is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Saudi Arabia underwent its first mutual evaluation in February 2009; once adopted the report will be found here: http://www.menafatf.org/TopicList.asp?cType=train

Recommendations:

The Saudi Arabian Government is taking steps toward enforcing its AML/CFT laws, regulations, and guidelines. However, Saudi Arabia has yet to fully implement its UN obligations, and individuals and entities within the borders of Saudi Arabia continue to be a significant source for terrorist financing. The SAG needs to take concrete steps to improve charities oversight, including oversight and control of Saudi entities with overseas operations. There is still an over-reliance on suspicious transaction reporting to generate money laundering investigations. Law enforcement agencies should take the initiative and proactively generate leads and investigations, and be able to follow the financial trails wherever they lead. The public dissemination of statistics regarding predicate offenses and money laundering prosecutions would facilitate the evaluation and design of enhancements to the judicial aspects of the AML/CFT system. The SAG should work to improve its ability to share bank and other financial information with foreign law enforcement pursuant to formal mutual legal assistance requests. Saudi Arabia should become a party to the UN Convention against Corruption.

Senegal

A regional financial center with a largely cash-based economy, Senegal is vulnerable to money laundering. Reportedly, most money laundering involves domestically generated proceeds from corruption and embezzlement. In fiscal year (FY)2008 and FY2009, the International Monetary Fund discovered significant amounts of extra budget expenditures and debts to private businesses that the government has been told to repay. Also of concern are criminal figures who launder and invest their personal and their organization's proceeds from the growing West Africa narcotics trade. There is also evidence of increasing criminal activity by foreigners, such as narcotics trafficking by Latin American groups and trafficking in persons involving Pakistanis.

Dakar's active real estate market is largely financed by cash. Property ownership and transfer are not transparent. The continued building boom and high property prices suggest there is an increasing amount of funds with uncertain origin circulating in Senegal. The growing presence of hawala or other informal cash transfer networks and the increasing numbers of used imported vehicles also suggest the existence of both money laundering and illicit cash couriers. Trade-based money laundering (TBML) is centered in the region of Touba, a largely autonomous and unregulated free-trade zone under the jurisdiction of the Mouride religious authority. Touba reportedly receives between $550 and $800 million per year in funds repatriated by networks of Senegalese traders and vendors abroad. Other areas of concern include the transportation of cash, gold and gems through Senegal's airport and across its porous borders.

Offshore Center: No

Free Trade Zones: Yes

A free trade zone under the jurisdiction of the Mouride religious authority operates largely autonomously.

Criminalizes narcotics money laundering:

The legal basis for Senegal's anti-money laundering/counter-terrorist financing (AML/CFT) framework is "la Loi Uniforme Relative a la Lutte Contre le Blanchiment de Capitaux" No. 2004-09 of February 6, 2004, or the Anti-Money Laundering Uniform Law (AML Law). All member states are bound to enact and implement the common law passed by the members of the West African Economic and Monetary Union (WAEMU). Senegal has an "all crimes" approach to money laundering. The law does not require a conviction for a predicate offense, and intent may be inferred from objective factual circumstances. Self launderers may be prosecuted; and criminal liability applies to all legal persons as well as natural persons.

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/)

The Central Bank of West African States (BCEAO) released a Directive against Terrorist Financing directing member states to enact a law against terrorist financing; similar to the AML Law, the BCEAO law is a common law to be adopted by all WAEMU members. Each member's legislature must enact enabling legislation to adopt it. On January 27, 2009, Senegal's National Assembly approved the WAEMU CFT uniform law "la loi Uniforme Relative a la Lutte Contre le Financement du Terrorisme (LUCFT)," that criminalizes terrorist financing.

Know-your-customer rules: Yes

The AML Law requires banks and other financial institutions to record and report the identity of any individual or entity engaged in significant transactions, including the recording of the origin of any deposit greater than 5 million CFA (approximately $10,400) for a single individual account and 20 to 50 million CFA (approximately $40,000 to $100,000) for any business account. Commercial banks in Senegal are enhancing their know-your-customer (KYC) procedures.

Bank records retention: Yes

Obligated entities must retain documents relating to customers' identity for ten years following the closing of their accounts. They must also keep records and documents relating to transactions for ten years from the end of the financial year during which the transactions were conducted.

Suspicious transaction reporting: Yes

Obligated entities must file suspicious transaction reports (STRs) with the Cellule Nationale de Traitement des Informations Financieres (CENTIF), Senegal's financial intelligence unit (FIU). In 2008, CENTIF received 58 STRs and referred 30 cases to the Prosecutor General. In turn, the Prosecutor General passed ten cases directly to the investigating judge.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture:

The AML Law provides for the freezing, seizing, and confiscation of property by judicial order. In addition, the FIU can order the suspension of the execution of a financial transaction for 48 hours. The BCEAO also can order the freezing of funds held by banks. The AML Law allows explicitly for criminal forfeiture; there is no provision for civil forfeiture.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: Partially

Senegal's currency control and reporting requirements are not uniform and are reportedly laxly enforced. They are geared towards currency control and not anti-money laundering. Upon entry, nonresidents must declare any currency they are transporting from outside the "zone franc" greater than 1 million CFA (approximately $2,000) and all monetary instruments denominated in cash in any amount. When departing Senegal, nonresidents must declare any currency from outside the zone franc greater than approximately $1,000 and all monetary instruments from foreign entities. The law does not require residents to declare currency on entry; on exit, they must declare amounts of any foreign currency and any monetary instruments greater than approximately $4,000. All declarations must be in writing. There is no publicity regarding currency declaration requirements at major points of entry.

Cooperation with foreign governments:

No impediments to cooperation are known to exist. BCEAO, based in Dakar, is the central bank for the eight countries in the WAEMU, including Senegal, and uses the CFA franc currency. The Government of Senegal (GOS) has worked on international anti-crime operations with INTERPOL, Spanish, and Italian authorities.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

CENTIF reportedly does not share or disseminate information or financial intelligence to law enforcement. Official statistics regarding the prosecution of financial crimes are unavailable. There has been only one known conviction for money laundering since 2005, which led to the confiscation of a private villa.

The GOS is attempting to discourage its civil servants from using cash by depositing salaries into formal bank accounts, and the Banking Association has undertaken a publicity campaign to encourage the populace to use the formal banking system. Western Union, Money Gram and Money Express are associated with banks and compete with Senegal's widespread informal remittance systems, including hawala networks and cash couriers. Small-scale, unregulated and unlicensed currency exchange operations are common, especially outside urban centers. The Banque de l'Habitat du Senegal (BHS), a Senegalese bank, has affiliates licensed as money remitters in the United States. New York State authorities have brought enforcement action against BHS New York for failing to comply with AML regulations.

The BCEAO and the FIU circulate the UN 1267 Sanctions Committee consolidated list to commercial financial institutions. To date, Senegalese authorities have not identified any designated entities. The WAEMU Council of Ministers issued a directive in September 2002 requiring banks to freeze the assets of any entities designated by the Sanctions Committee.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

The Senegalese government and law enforcement agencies are generally willing to cooperate with United States law enforcement agencies.

International agreements:

Senegal has entered into bilateral criminal mutual assistance agreements with France, Tunisia, Morocco, Mali, The Gambia, Guinea Bissau, and Cape Verde. Multilateral Economic Community Of West African States (ECOWAS) treaties address extradition and legal assistance among the member countries. Under the AML Law, the FIU may share information freely with other WAEMU FIUs. CENTIF has signed

memoranda of understanding (MOUs) for information exchange with a number of FIUs and is open to information exchange on the basis of reciprocity. CENTIF shares information with the FIUs belonging to the Egmont Group without the requirement of a MOU. CENTIF's application for membership to the Egmont Group was approved in June 2009.

Senegal 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

Senegal is a member of the Intergovernmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force-style regional body. Its most recent mutual evaluation is available here:
http://www.giaba.org/media/M_evalu/GIABA__Mutual_Evaluation_Report_of__Senegal_Feb%200209%20%28English%29%5B1%5D.pdf

Recommendations:

The Government of Senegal (GOS) should continue to work with its partners in GIABA, WAEMU and ECOWAS to develop a comprehensive AML/CFT regime. Senegal should work on achieving transparency in its financial and real estate sectors, and continue to encourage the populace to use the formal banking system. Senegal should continue to battle corruption and increase the frequency, transparency, and effectiveness of financial reviews and audits of financial institutions. Senegal should establish better uniform control of the cross-border flow of currency and other bearer-negotiable instruments for both residents and nonresidents. Senegalese law enforcement and customs authorities need to develop their expertise in identifying and investigating both traditional money laundering and money laundering within the informal economy. CENTIF should perform more outreach to obligated non-bank financial institutions to ensure a better understanding of the content and filing requirements for STRs. CENTIF, law enforcement and Ministry of Justice authorities should work together to coordinate roles and responsibilities with regard to case investigation and assembly, and develop a deeper interagency understanding of money laundering and terrorist financing.

Serbia

Serbia is not considered a regional financial center. Serbia is on the major trade corridor known as the "Balkan route," and confronts narcotics trafficking, smuggling of persons, weapons and pirated goods, money laundering, and other criminal activities. While the bulk of seizures are of heroin, the Government of Serbia (GOS) advises trafficking of cocaine of South American origin is on the rise and is expected to continue increasing as organized crime groups restructure their operations. Corruption and organized crime also continue to be significant problems in Serbia.

Serbia continues to be a black market for smuggled goods. Illegal proceeds are generated from drug trafficking, corruption, tax evasion and organized crime, as well as other types of crimes. Proceeds from illegal activities are invested in all forms of real estate and, increasingly, into sports, particularly football (soccer). Some money flows to Cyprus, reportedly as payment for goods and services; however, GOS officials believe this has become less of a factor over the past few years. Banks in Macedonia, Hungary, Switzerland, Austria and China have emerged as destinations for laundered funds. Trade-based money laundering, in the form of over- and under-invoicing, is commonly used to launder money. There are reports the purchase of some private and state-owned companies was linked to money laundering activity.

Offshore Center: No

Free Trade Zones: Yes

Serbia has four designated free trade zones (FTZs) (Subotica, Pirot, Zrenjanin, and Novi Sad) established to attract investment by providing tax-free areas to companies. Business activities conducted in these areas receive benefits such as unlimited imports and exports, preferential customs treatment and tax relief. Goods coming in or out of the FTZs must be reported to the customs authorities and payments must be made in accordance with regulations on hard currency payments. Companies must provide information to the Administration for Free Trade Zones and, other than the financial benefits described above, are subject to the same laws and supervision as other businesses in Serbia.

Criminalizes narcotics money laundering: Yes

In September 2005, Serbia codified an expanded definition of money laundering in Article 231 of the Criminal Code.

Criminalizes other money laundering, including terrorism-related: Yes

In 2009, Serbia enacted the Law on the Prevention of Money Laundering and the Financing of Terrorism (AMLL). Banks, attorneys, auditors, tax advisors and accountants, currency exchanges, insurance companies, investment managers, pension funds, casinos, securities brokers, real estate agencies, and persons dealing with postal communications are required to comply with the AMLL provisions. The AMLL also applies to branches and subsidiaries outside Serbian territory. In September 2009, Serbia amended Article 231 of the Criminal Code, which adds the crime "group act 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/)

The AMLL criminalizes terrorist financing.

Know-your-customer rules:

The AMLL sets out know-your-customer (KYC) obligations for covered entities. The National Bank of Serbia (NBS) has also issued a KYC-specific regulation that further elaborates on KYC procedures required for banks, voluntary pension funds, management companies, financial leasing providers, insurance companies, brokerage companies, agency companies, and insurance agents. All obligors under the AMLL are required to conduct customer due diligence when: establishing a business relationship; carrying out a transaction equal to or greater than the equivalent of euro 15,000; when there are reasons for the suspicion of money laundering or terrorist financing; and when there are doubts about the veracity of previously obtained data about a customer or beneficial owner. Under the provisions of the AMLL, Serbian financial and non-financial institutions are also required to conduct risk-based assessments of clients and businesses.

Bank records retention: Yes

The AMLL requires records to be maintained for ten years.

Suspicious transaction reporting: Yes

Suspicious transactions in any amount must be reported to the financial intelligence unit (FIU),. Under the AMLL Serbian financial institutions and obligated reporting entities are required to develop and apply a list of indicators to help them identify suspicious transactions.

Large currency transaction reporting: Yes

Both the AMLL and previous anti-money laundering (AML) legislation require obligated entities to report to the FIU all cash transactions equal to or more than euro 15,000 (approximately $22,500), or the dinar or foreign currency equivalent.

Narcotics asset seizure and forfeiture:

The 2008 Asset Forfeiture Law (AFL) became effective on March 31, 2009. Prosecutors are empowered to initiate seizure and forfeiture proceedings. Decisions to seize would be rendered by a competent investigative judge, a judge presiding over the trial panel of judges, or a trial panel of judges handling the criminal case against the persons whose assets are the subject of proceedings, depending on the phase of criminal proceedings at which a request for seizure is filed. Forfeiture proceedings are exclusively handled by the trial panel of judges or the president of the trial panel. Assets that can be forfeited include goods of any kind, tangible or intangible; revenue or gain generated, directly or indirectly, from a criminal offense as well as any goods into which it is transformed or with which it is co-mingled; instrumentalities; or substitute assets. Under the AFL, the burden of proof is shifted to the accused, an heir/legal successor, or a third party to prove that assets have been legitimately earned. Asset forfeiture proceedings are separate proceedings from those conducted on criminal charges. The FIU has the authority to freeze transactions for a maximum of 72 hours.

Narcotics asset sharing authority: Yes

The AFL provides for cooperation with other governments in tracing, freezing and seizure even without the existence of an international treaty.

Cross-border currency transportation requirements: Yes

The Law on Foreign Exchange Operations, adopted in 2006, criminalizes the use of false or inflated invoices or documents to facilitate the transfer of funds out of the country. The AMLL introduces a cash declaration system, which came into effect in September 2009. Individuals can bring in and take out dinars up to the equivalent of euro 10,000. Larger amounts can only be brought in if there is documentation they were purchased in a foreign bank. When departing Serbia, residents are not permitted to take out foreign currency in excess of euro 10,000 unless they can prove they are emigrating. Nonresidents can take out higher amounts of cash if they meet the following conditions: they declared such amounts upon entry into Serbia, if the foreign currency was withdrawn from a foreign currency account or passbook within Serbia, or if the foreign currency was purchased by selling dinars through the use of a payment card. Individuals are permitted to bring any amount of foreign cash into Serbia, as long as they declare all currency or checks in amounts exceeding euro 10,000 (approximately $14,500).

Cooperation with foreign governments (including refusals):

International cooperation is now defined in Articles 61 to 66 of the Law on Anti Money Laundering and Terrorist Financing (adopted in March 2009). The law allows the exchange of information related to AML and terrorist financing between the GOS and foreign governments. International cooperation is also defined in the Law on International Legal Assistance in Criminal Issues adopted in March 2009, which applies to money laundering activities, narcotics, and terrorism.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

A 2004 law governs gaming rules and the Administration for Games of Chance was established on January 1, 2005. The law sets a maximum of ten casino licenses, and requires existing casinos to reapply for licenses. Two casinos were issued new licenses pre-2009; a tender for a third license closed on November 23. There are also a number of clubs with gaming machines that do not require licenses. The gaming supervisory authority has very limited resources, and the political will to enforce the law is weak.

The Law on Investment Funds and the Law on Securities and Other Financial Instruments Market, both enacted in 2006, provide the Securities Commission (SC) with the authority to "examine" the source of investment capital during licensing procedures for broker-dealers, management companies, authorized banks, custody banks, and investment funds. The SC is also charged with monitoring its obligors' compliance with the AML laws. Regulations to implement requirements set out by the AMLL currently are being developed.

Most designated non-financial businesses and professions (DNFBPs) have not implemented any of the requirements of the AMLL nor the previous AML law, which included them as obligors.

The FIU circulates the UNSCR 1267 Sanctions Committee's list of designated individuals and entities. No terrorist-related assets were identified in 2009.

U.S.-related currency transactions:

There is no evidence of significant US currency flows through Serbia, licit or illicit.

Records exchange mechanism with U.S.:

Serbia does not have a mutual legal assistance arrangement with the United States, but information exchange via a letter rogatory is standard. The 1902 extradition treaty between the Republic of Serbia and the United States remains in force. The treaty does not require extradition of nationals, and Serbia currently does not extradite Serbian citizens to the United States. The FIU actively participates in information exchanges with counterpart FIUs, including FinCEN.

International agreements:

The GOS has bilateral agreements on mutual legal assistance with 31 countries. The FIU has signed information sharing agreements with 15 countries, and anticipates signing two more by the end of 2009.

Serbia 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

Serbia is a member of MONEYVAL, a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:
http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Serbia_en.asp

Recommendations:

The Government of Serbia (GOS) has taken a number of steps to improve its anti-money laundering/counter-terrorist financing (AML/CFT) regime over the past year. Serbia should ensure its securities firms and other DNFBPs are adequately supervised and are provided with guidance to ensure they understand and are able to comply with their responsibilities under the AMLL. The GOS should adopt regulations and bylaws to help money service businesses and DNFBPs understand and implement all requirements of the current AMLL. The National Bank of Serbia and other supervisory bodies as well as investigative agencies, the FIU, prosecutors, and judges need enhanced capability and additional resources. The gaming laws should be fully enforced and the Administration for Games of Chance provided with adequate resources and authority.

Seychelles

Seychelles is a not a major financial center. The Seychellois authorities consider drug trafficking, parallel market operations, theft and fraud as the major sources of illegal proceeds.

Seychelles is a consumer country for narcotics. Tight exchange control regulations have facilitated a parallel market for foreign currency exchange based on evasion of exchange control regulations. To diversify its economy beyond tourism, the Government of Seychelles (GOS) developed an offshore financial sector to increase foreign exchange earnings and actively markets itself as an offshore financial and business center that allows the registration of nonresident business companies; these activities make the country vulnerable to money laundering. In its 2007-2017 Strategic Plan, the GOS proposes to facilitate the further development of the financial services sector through active promotion of Seychelles

as an internationally recognized offshore jurisdiction, with emphasis on international business companies (IBCs), mutual funds, special license companies and insurance companies.

Offshore Center: Yes

As of January 2009, there were 57,205 registered IBCs and 312 trusts that pay no taxes in Seychelles and are not subject to foreign exchange controls. These are used mainly for private wealth management and real estate investments. The practice among some operators in the offshore sector is to sell IBCs in bulk to foreign intermediaries for consumption by end users on whom very little or virtually no information is available in the Seychelles. IBCs may issue bearer shares. There is little information about the possible use of IBCs in the Seychelles for money laundering or terrorist financing purposes. In addition to IBCs and trusts, Seychelles permits offshore insurance companies, mutual funds, and offshore banking. Seychelles has two offshore banks and three offshore insurance companies: one for captive insurance and two for general insurance. In November 2006, the GOS established the Non-Bank Financial Services Authority to regulate these sectors. The Financial Institutions Act 2004, amended in 2008 and 2009, regulates both domestic and offshore banking. The International Corporate Service Providers Act 2003 is designed to regulate all activities of corporate and trustee service providers. The Seychelles International Business Authority (SIBA), a body with board members from both the government and the private sector, registers, licenses and regulates offshore activities. Offshore banks are specifically addressed by the Anti Money Laundering Act 2006. No offshore casinos or Internet gaming sites are licensed to operate.

Free Trade Zones:

The International Trade Zone Act 1995 and the International Trade Zone Regulations 1995 provide for the establishment of free trade zones. The existing International Trade Zone (SITZ) on Mahe is established under the Act. Activities within the Zone are governed by SIBA, which issues licenses to incoming companies.

Criminalizes narcotics money laundering: Yes

The Anti-Money Laundering Act 2006 (AMLA), which criminalizes narcotics money laundering, came into force in May 2006. This legislation replaced the 1996 Anti-Money Laundering Act.

Criminalizes other money laundering, including terrorism-related: Yes

Under the AMLA, anyone who possesses, conceals, brings into Seychelles or engages directly or indirectly in a transaction involving money or other property associated with a crime, knowing or having reasonable grounds to know that the money or property is derived from an illegal activity, is guilty of money laundering. In addition, anyone who aids, abets or conspires with another person to commit the crime is likewise guilty of money laundering.

Criminalizes terrorist financing: Yes

In 2004, the GOS enacted the Prevention of Terrorism Bill. The legislation specifically recognizes the government's authority to identify, freeze, and seize assets related to terrorist financing. The AMLA applies the law to suspected terrorist financing transactions.

Know-your-customer rules: No

Customer due diligence (CDD) requirements are sporadically enforced. There is no requirement on financial institutions to perform CDD measures on existing customers if they have anonymous accounts or accounts in fictitious names. The AMLA requires reporting entities to take reasonable measures to ascertain the purpose of any transaction in excess of Seychelles rupees 100,000 (approximately $9,000), or, in the case of cash transactions, rupees 50,000 (approximately $4,500), and the origin and destination of the funds involved in the transaction. However, it leaves open exceptions for cases "as may be prescribed."

Bank records retention: Yes

Pursuant to the provisions of section 6(1) and (2) of the AMLA, a reporting entity must maintain identity records, transaction records and correspondence relating to the transactions for a minimum period of seven years from the date on which evidence of a person's identity is obtained, of any transaction or correspondence, or on which the business relationship ceases.

Suspicious transaction reporting: Yes

The financial intelligence unit (FIU) was established under Section 16 of the AMLA. The FIU is the focal point for receiving and analyzing suspicious transaction reports (STRs) and disseminating the analysis to the appropriate law enforcement and supervisory agencies in Seychelles. According to the AMLA, the reporting entities include domestic and offshore banks, credit unions, insurance companies, money transfer companies, securities companies, trust and company service providers, dealers in precious metals and stones, casinos and gaming establishments, and real estate agents. The legislation has been extended to cover designated non-financial businesses and professions, to include lawyers, accountants, notaries and other independent legal professions.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture:

The courts have the authority to freeze or confiscate money or property. Judges in the Supreme Court have the authority to restrain assets upon the request of a law enforcement officer. The Court also has the authority to determine the length of time for the restraint order and, as needed, the disposition of assets. Law enforcement may seize property subject to a restraint order to prevent its disposal. Both civil and criminal forfeiture are allowed under current legislation. A Civil Assets Recovery Unit was established after the Anti-Money Laundering (Amendment) Act came into force in August 2008.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: No

There is no limit set for cross-border transportation of currency nor is there a declaration or disclosure requirement system in Seychelles.

Cooperation with foreign governments: Yes

The Mutual Assistance in Criminal Matters Act of 1995 empowers the Seychelles Central Authority to provide assistance to another jurisdiction in connection with a request to conduct searches and seizures relating to serious offenses under the law of the requesting state. The Prevention of Terrorism Act extends the authority of the GOS to include the freezing and seizing of terrorism-related assets upon the request of a foreign state. To date, no such assets have been identified, frozen, or seized.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

There have been no arrests or prosecutions for money laundering or terrorist financing since 1998.

Seychelles circulates to relevant authorities the updated lists of names of suspected terrorists 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.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

No information available.

International agreements:

Seychelles 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 Government of Seychelles is a member of the Eastern and Southern African Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force-style regional body. Its most recent evaluation can be found here: http://www.esaamlg.org/reports/view_me.php?id=189

Recommendations:

Government of Seychelles should work to improve the implementation of its AML/CFT framework, including the analysis of STRs and the pursuit of investigations and prosecutions for money laundering and terrorist financing. Seychelles should continue to work with its FIU to ensure it has the training and resources needed for outreach, analysis and dissemination. Seychelles should expand its anti-money laundering efforts by prohibiting bearer shares, anonymous accounts and accounts in fictitious names, and clarifying its law regarding the complete identification of beneficial owners. The GOS also should amend the AMLA to state explicitly that all offshore activity is regulated in the same manner and to the same degree as onshore. The GOS should also consider codifying the ability to freeze assets rather than issuing restraining orders, and develop a cross-border currency reporting requirement.

Sierra Leone

Sierra Leone has a cash-based economy and is not a regional financial center. Money laundering activities are pervasive in the diamond sector. Despite tighter regulation, monitoring, and enforcement, in some areas significant diamond smuggling still exists. Drug smuggling is also a problem in Sierra Leone, as evidenced by the seizure of a plane at an airport outside Freetown in July 2008, carrying cocaine worth $54 million. Real estate and car dealerships are also sectors vulnerable to money laundering activities. Loose oversight of financial institutions, weak regulations, pervasive corruption, and a widespread informal money-exchange and remittance system contribute to an atmosphere conducive to money laundering. In 2009, authorities attempted to strengthen oversight and regulatory frameworks, including in the mushrooming financial sector.

Offshore Center:

No information available.

Free Trade Zones:

No information available.

Criminalizes narcotics money laundering:

The Anti-Money Laundering Act (AMLA) took effect in July 2005. However, the AMLA has significant flaws in the wording of the money laundering offense and its related definitions. The Government of Sierra Leone (GOSL) is reviewing the AMLA with stakeholders, and has drafted an amended law.

Criminalizes other money laundering, including terrorism-related:

See above

Criminalizes terrorist financing: No

Know-your-customer rules: No

Although the AMLA includes know-your-customer (KYC) provisions, there are no rules concerning customer due diligence measures and ineffective implementation of KYC guidelines. However, measures are being taken to resolve the deficiencies.

Bank records retention: No

There is no effective implementation of money laundering reporting requirements beyond basic customer identification and little bank record retention.

Suspicious transaction reporting: Yes

The AMLA applies to depository and credit institutions, money transmission and remittance service businesses, insurance brokers, investment banks, securities and stock brokerage houses, currency exchange houses, and designated non-financial businesses and professions such as casinos, realtors, dealers in precious metals and stones, notaries, legal practitioners, and accountants. A financial intelligence unit (FIU) exists but is only marginally functional. The FIU's role is to receive and analyze financial information and intelligence, including suspicious transaction reports (STRs), and disseminate information regarding potential cases to law enforcement agencies for investigation. There is no threshold amount for STR filing. No STRs were filed in 2009.

Large currency transaction reporting:

The AMLA mandates currency reporting for deposits larger than 25 million leones (approximately $6,250).

Narcotics asset seizure and forfeiture:

The AMLA empowers the courts to freeze assets for 72 hours if a suspect has been charged with money laundering or if a charge is imminent. Upon a conviction for money laundering, all property is treated as illicit proceeds and can be forfeited unless the defendant can prove that possession of some or all of the property was obtained through legal means. There is no provision for the seizure of instrumentalities of crime.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements:

The AMLA calls for cross-border currency reporting for cash or securities in excess of $10,000; however, the mandated reporting has not been implemented. A currency declaration form (CDF) has been designed and is being implemented by the Customs and Excise Department of the National Revenue Authority (NRA). The FIU has developed and issued to the CDF, procedures for handling currency or negotiable bearer instruments declared at entry or exit points.

Cooperation with foreign governments: Yes

The AMLA provides the basis for mutual assistance and international cooperation.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

The FIU lacks the capacity to effectively monitor and regulate financial institution operations. The AMLA charges the Central Intelligence Security Unit (CISU) and the Attorney General's Office with investigating reports made by the FIU, but CISU cannot undertake complete investigations or effect arrests. The Attorney General's Office has neither investigative nor arrest powers in its mandate. The Sierra Leone Police (SLP), National Revenue Authority, or Anti-Corruption Commission could be tasked by either entity with investigating reported money laundering crimes; however, it is not clear if this happens in practice. Limited resources hamper law enforcement efforts in all arenas. Lack of training on

this subject is also a considerable hindrance to prosecutions. In 2009, there were no prosecutions under the AMLA.

Sierra Leone lacks the institutional mechanisms for the implementation of UNSCRs 1267 and 1373.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

No information available.

International agreements:

Sierra Leone 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

Sierra Leone is a member of the Groupe Intergouvernemental d'Action contre le Blanchiment d'Argent en Afrique de l'Ouest (GIABA), a Financial Action Task Force-style regional body (FSRB). Its most recent mutual evaluation can be found here:
http://www.giaba.org/index.php?type=c&id=24&mod=2&men=2

Recommendations:

Although the Government of Sierra Leone (GOSL) has enacted anti-money laundering (AML) legislation, the GOSL need to take action to ensure its AML regime is effectively implemented. The GOSL should place a high priority on enacting the proposed revisions to the law to correct deficiencies in the original act and include provisions for combating terrorist financing, bringing the legislation in line with international AML/counter-terrorist financing (AML/CFT) standards. Authorities should ensure the revised law is harmonized with other relevant legislation, including the revised Anti-Corruption Act (2008), National Drug Control Act (2008), and Anti-Terrorism Act. The GOSL should ensure its penalties for terrorist financing are proportionate and dissuasive. Sierra Leone should also ensure the regular distribution to financial institutions of the UNSCR 1267 Sanctions Committee's consolidated list, and implement and enforce provisions for immediate freezing of assets of individuals on the list. The GOSL should increase the level of awareness and understanding of money laundering issues and allocate the necessary human, technical, and financial resources to implement its AML/CFT regime. Sierra Leone's FIU should work to build capacity by increasing its resources and striving to organize itself and perform according to international standards. Sierra Leone should continue its efforts to counter the smuggling of diamonds and narcotics, and regulate sectors which are vulnerable to money laundering. Sierra Leone should continue to take steps to combat corruption at all levels of commerce and government. The GOSL should ratify the UN Convention against Transnational Organized Crime.

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.

Slovak Republic

Slovakia's geographic, economic, and legal environment with respect to money laundering are not atypical of a changing central European economy. Its geographical location makes it a transit and destination country for trafficking in drugs, people, and a variety of commodities. The statistics on money laundering cases investigated by Slovak law enforcement authorities indicate the most frequent predicate offenses for money laundering are financial crimes and crimes against property. According to data from reporting entities, in 2008, the most commonly reported forms of suspicious activity were Internet fraud by Romanian and Russian nationals involving funds originating in the United States; phishing involving funds originating in Germany and the United Kingdom; use of tax havens and offshore companies for transfers of funds; the use of front persons within companies for the purpose of tax evasion and value-added tax (VAT) fraud; and trafficking in nonferrous metals and investment gold.

Offshore Center:

No information available.

Free Trade Zones:

No information available.

Criminalizes narcotics money laundering: Yes

The Penal Code (Act No. 300/2005 Coll., as amended) criminalizes money laundering through Section 233 (legalization of income from criminal activity). Slovakia's legislation does not provide for the criminal liability of legal persons.

Criminalizes other money laundering, including terrorism-related: Yes

Slovak legislation does not specifically list the predicate offenses for money laundering; rather, the law applies to proceeds and means of all criminal acts. The criminal offense of money laundering can be prosecuted if criminal prosecution is already pending for a predicate offense. Act No. 297/2008 Coll., "On the Protection Against Legalization of Income from Criminal Activity and Protection Against the Financing of Terrorism," which took effective in September 2008, is the most recent legislation addressing money laundering. The 2008 law defines basic notions such as "legalization," "terrorist financing," and "unusual transaction". It also includes more precise definitions of "reporting entities" and "politically exposed person"; and contains separate provisions on lawyers and notaries; and auditors, accountants and tax advisors.

Criminalizes terrorist financing:

(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 2009, the Government of the Slovak Republic (GOSR) passed an amendment to the Penal Code, which the President signed into law on December 16, to establish the autonomous criminal offense of financing terrorism. In addition to this recent criminalization of terrorist finance, previously existing law (Act No. 297/2008 Coll.) defines the financing of terrorism as the supply or collection of funds with the intent to use them or with the knowledge of the intent to use them to create, contrive to create or support a terrorist group, or the criminal offense of terrorism, or other criminal offenses referred to in Section 3(1)(b) of the law.

Know-your-customer rules: Yes

Act No. 297/2008 Coll. sets out the detailed conditions for performing customer due diligence, simplified due diligence and enhanced due diligence. Reporting entities have a duty to perform customer due diligence that includes client identification and verification as well as identification of the beneficial owner in the case of legal persons or property associations. For corporations, it includes the identification of ownership and management structure if the customer enters into a business relationship, or performs an occasional transaction with a value of at least 15,000 euros (approximately $22,500) outside of a business relationship,

Bank records retention:

No information available.

Suspicious transaction reporting: Yes

The Slovak Financial Intelligence Unit (SFIU) receives and evaluates unusual transaction reports (UTRs), gathers additional information, and refers cases of suspected money laundering to regional financial police departments, other law enforcement authorities or tax administrators, as appropriate. Act No. 297/2008 Coll. requires reporting of suspected terrorist financing activity. Through the first 11 months of 2009, the SFIU had received 2,379 UTRs amounting to 4.08 billion euros (approximately $6.16 billion). Based on these reports, 96 cases were submitted directly for prosecution, 764 were referred to law enforcement authorities for further investigation, and 386 to the tax administrator. Although the SFIU has

not received any UTRs with the specific suspicion of terrorist financing, the SFIU assessed the reports it received and by the end of October 2009, referred 43 cases for possible terrorist financing activity.

Large currency transaction reporting:

No information available.

Narcotics asset seizure and forfeiture:

The Code of Criminal Procedure establishes the authority to seize, freeze and confiscate property. Reporting entities have a duty to halt the execution of unusual transactions for a maximum of 48 hours either on the basis of their own finding or upon written request from the SFIU.

All competent authorities in the Slovak Republic have full authority to freeze or confiscate terrorist assets consistent with UNSCR 1373. The GOSR has agreed to immediately freeze all accounts owned by entities included on the UNSCR 1267 Sanctions Committee Consolidated List of terrorist entities, the EU's consolidated lists, and those provided by the United States under Executive Order 13224. The GOSR posts the lists online but does not distribute them.

Narcotics asset sharing authority:

Act No. 650/2005 Coll. on the execution in the European Union (EU) of orders to seize property or evidence makes it possible to execute seizures for proceeds or instrumentalities of crime in Slovakia, based on the recognition of a seizure order issued by a judicial authority of another member state of the EU.

Cross-border currency transportation requirements:

No information available.

Cooperation with foreign governments (including refusals):

No impediments to cooperation are known to exist.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

In 2008, 17 persons were subject to criminal proceedings for the criminal offense of money laundering pursuant to Section 233; of these, ten were convicted. Statistics for 2009 are not yet available.

The Law on Proving the Origin of Property came into force on September 1, 2005. According to the law, an undocumented increase in property exceeding an amount 200 times the minimum monthly wage must be investigated and the property may then be subject to confiscation. The law was challenged in Parliament on the grounds that its retroactivity and shifting of the burden of proof to the suspect are in conflict with the Constitution of the Slovak Republic. The Constitutional Court suspended application of the law on October 6, 2005. On September 3, 2008, the Constitutional Court issued a finding which determined the law is not in conformity with the Constitution. The National Council of the Slovak Republic had a six-month time limit to repeal or replace the law. Since neither of these actions was taken within the specified time frame, the law automatically became null and void in 2009.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

No information available.

International agreements:

The SFIU has signed memoranda of understanding with Slovenia, Canada, Belgium, Czech Republic, Poland, Monaco, Australia, and Albania; cooperation protocols with Czech Republic and Ukraine; and cooperation agreements with Russia and Romania. Slovak law does not, however, require that the SFIU sign a memorandum of understanding to be able to fully cooperate with FIUs in other countries.

Slovakia 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

Slovakia is a member of the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force-style regional body. Its 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 the Slovak Republic has made progress over the past year, although there is still room to improve several areas of its anti-money laundering/counter-terrorist financing (AML/CFT) regime. Slovakia should also provide capacity enhancing materials to nonfinancial businesses and professions and improve supervision of these entities to ensure they meet their obligations under the law. The GOSR should implement formal AML/CFT supervision of currency exchange houses. Slovak authorities should encourage and enable police to pursue money laundering and financial crime even when it does not involve organized crime activities. Authorities should adopt criminal sanctions for money laundering in relation to legal persons, establishing corporate criminal liability in line with international standards. The GOS should consider amending its confiscation and forfeiture regime to provide for asset forfeiture from third-party beneficial owners.

Slovenia

Slovenia is not a regional financial center. According to Slovenian authorities, economic crimes against property and narcotics offenses are increasing. Other predicate offenses of concern include business and tax fraud.

Offshore Center: No

Free Trade Zones: Yes

Free economic zones (FEZ) exist in Koper and Maribor. The Maribor FEZ's mandate expires on January 1, 2010. The Government of Slovenia (GOS) has the option to extend the life of the Maribor FTZ. The following activities may be performed within free economic zones: production and services; wholesale trade; banking and other financial services; and insurance and reinsurance regarding the above activities. FEZs are administered by the Customs Administration.

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

Money laundering and terrorist financing are criminalized under the Prevention of Money Laundering and Terrorist Financing Act of 2007.

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/)

See above.

Know-your-customer rules: Yes

Bank records retention: Yes

Banks must maintain records for ten years.

Suspicious transaction reporting:

Banks, non-bank financial institutions, and other obligated professional entities are required to file suspicious transaction reports (STRs) with the Office for Money Laundering Prevention (OMLP), Slovenia's financial intelligence unit (FIU). In 2007, 192 STRs were filed.

Large currency transaction reporting:

No information available.

Narcotics asset seizure and forfeiture: Yes

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 can be seized. Legitimate businesses can be seized if used to launder drug money or support terrorist activity. Both criminal and civil forfeiture are allowed.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: Yes

Slovenia is a member of the European Union (EU) and adheres to EU cross-border currency reporting requirements.

Cooperation with foreign governments:

There are no known impediments to international cooperation.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Bearer shares are allowed for companies.

There were no arrests, prosecutions, or convictions for money laundering or terrorist financing in 2009.

Slovenia has circulated to its financial institutions the list of individuals and entities that have been included on the UN 1267 sanctions committee's consolidated list. No terrorist financing-related assets have been frozen or seized.

U.S.-related currency transactions:

There are no indications that currency transactions in Slovenia involve 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.

Records exchange mechanism with U.S.:

The Slovenian FIU is able to exchange information with the Financial Crimes Enforcement Network.

International agreements:

Slovenia 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

Slovenia is a member of the Council of Europe's MONEYVAL, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here:

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

Recommendations:

The Government of Slovenia should continue to enhance its anti-money laundering/counter-terrorist financing legislation and procedures as appropriate. The GOS should immobilize its company bearer shares.

Solomon Islands

Solomon Islands (SI) is not considered a major financial center. It has a relatively stable banking system closely integrated with the financial systems of Australia and New Zealand. Smuggling, environmental crimes, public corruption, and the proliferation of counterfeit goods are problems in SI. SI is developing its anti-money laundering/counter-terrorist financing countermeasures.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

See below.

Criminalizes other money laundering, including terrorism-related: Yes

Part II, section 17 of the Money Laundering and Proceeds of Crime Act 2002 (MLPCA), criminalizes other money laundering offenses, if a person possesses or uses property, directly or indirectly, which constitutes an offense against any law of the Solomon Islands that is punishable by imprisonment for not less than twelve months.

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/)

Part 2, section 6 of the Counter-Terrorism Act 2009 criminalizes terrorist financing.

Know-your-customer rules: Yes

Under Part II, section 12 of the MLPCA, financial institutions or cash dealers must take reasonable measures to determine to their satisfaction the true identity of any applicant seeking to enter into a business relationship.

Bank records retention: Yes

Under the MLPCA, transaction records must be kept for a period of at least five years from the date the relevant business or transaction was completed.

Suspicious transaction reporting: Yes

Part II, section 14 of the MLPCA requires a financial institution or cash dealer that has reasonable grounds to suspect a transaction may be relevant to an investigation or prosecution of a person for a serious offense to file a suspicious transaction report within three working days.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture:

Asset forfeiture and seizure in SI are based primarily on Customs regulations.

Narcotics asset sharing authority: No

Cross-border currency transportation requirements:

SI has customs regulations which limit the amount of currency and negotiable instruments that can be brought into and taken out of the country at any given time. Information regarding possession of currency and other liquid assets is explicitly requested on customs declaration cards.

Cooperation with foreign governments:

The Mutual Assistance in Criminal Matters Act of 2002 addresses mutual legal assistance. The SI works closely with Australian authorities.

U.S. or international sanctions or penalties: No

***Enforcement and implementation issues and comments*:**

There have been five arrests and/or deportations involving suspected money laundering. These cases have reportedly involved both SI and African suspects. There have been several reports of suspected money laundering in SI, but no successful prosecutions thus far.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.: No

International agreements:

SI 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 - No
- the UN Convention against Corruption - No

SI became a party to the UN Convention for the Suppression of the Financing of Terrorism through accession on September 24, 2009.

SI is a member of the Asia/Pacific Group on Money Laundering, a Financial Action Task Force-style regional body. SI was scheduled to undergo a mutual evaluation in 2009. When available, the evaluation report will be found here: http://www.apgml.org/documents/default.aspx?DocumentCategoryID=8

Recommendations:

The Government of the Solomon Islands should continue its work to develop procedures to conform to international anti-money laundering and counter-terrorist finance standards. The SI should become a party to the UN Convention against Transnational Organized Crime, the UN Convention against Corruption, and the 1988 UN Drug Convention.

South Africa

South Africa's position as the major financial center in the region, its relatively sophisticated banking and financial sector, and its large, cash-based market, make it a vulnerable target for transnational and domestic crime syndicates. The largest source of laundered funds in the country is proceeds from the narcotics trade. Fraud, theft, racketeering, corruption, currency speculation, poaching, theft of precious metals and diamonds, small arms, human trafficking, stolen cars, and smuggling are also sources of laundered funds. Many criminal organizations are also involved in legitimate business operations. There is a significant black market for smuggled and stolen goods. In addition to South African criminal

organizations, observers note criminal activities by Nigerian, Pakistani, Andean and Indian drug traffickers, Chinese triads, Taiwanese groups, Lebanese trading syndicates, and the Russian mafia. There are few successful investigations and prosecutions.

Offshore Center: No

Free Trade Zones: Yes

South Africa does operate Industrial Development Zones (IDZs). Imports and exports that are involved in manufacturing or processing in the zones are duty-free, provided that the finished product is exported. South Africa maintains IDZs in Port Elizabeth, East London, Richards Bay, and Johannesburg International Airport. The South African Revenue Service (SARS) monitors the customs control of these zones.

Criminalizes narcotics money laundering: Yes

South Africa replaced previous legislation with the Prevention of Organized Crime Act (No. 121 of 1998) (POCA), which criminalizes money laundering, mandates the reporting of suspicious transactions, and contains "safe harbor" provisions.

Criminalizes other money laundering, including terrorism-related: Yes

South Africa adopts an "all crimes" approach, so that predicate offenses for money laundering cover all offenses under South African law as well as applicable international conventions and 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/)

In 2005, the Protection of Constitutional Democracy Against Terrorist and Related Activities Act came into effect. The Act criminalizes terrorist activity and terrorist financing and gives the government investigative and asset seizure powers in cases of suspected terrorist activity. The Act requires financial institutions to report suspected terrorist activity to the Financial Intelligence Center (FIC) – the financial intelligence unit (FIU). The Act also applies to charitable and nonprofit organizations operating in South Africa. The FIC distributes the list of individuals and entities included on the UN 1267 Sanctions Committee's consolidated list. There have been no prosecutions under the Act.

Know-your-customer rules: Yes

Section 21 of the Financial Intelligence Center Act (FICA) requires obligated institutions to establish and verify the identity of a customer prior to establishing a business relationship or concluding a single transaction with that customer. This Section also prohibits obligated institutions from concluding transactions with existing customers without first taking certain steps to establish and verify the identity of the customer and to trace all accounts held by the institution that are involved in transactions concluded in the course of that business relationship.

Bank records retention: Yes

The FICA requires obligated entities to maintain records of transactions for at least five years.

Suspicious transaction reporting: Yes

The FICA requires obligated entities, including banks, life insurance companies, foreign exchange dealers, casinos, and real estate agents, to file suspicious transaction reports (STRs) with the FIC. The FIC analyzes STRs and forwards those needing further investigation to the investigative and prosecutorial authorities. When there is a suspicion of terrorist financing, the FIC will forward the relevant information to the National Intelligence Agency. From March 2008 through March 2009, the FIC received 22,762

STRs. The FIC referred 1,221 STRs, with transactions valued at more than 5.9 billion rand (approximately $800 million), to law enforcement and/or intelligence agencies for further investigation.

Large currency transaction reporting: Yes

Section 28 of the FICA calls for the reporting of cash transactions above a prescribed threshold. This provision was scheduled to come into operation in 2009 - after the FIC developed capacity to receive and process such transactions.

Narcotics asset seizure and forfeiture:

Both the POCA and the FICA contain criminal and civil forfeiture provisions. The Asset Forfeiture Unit (AFU) in the National Prosecuting Authority administers and implements the freezing and forfeiture provisions of the POCA.

Narcotics asset sharing authority:

The International Cooperation in Criminal Matters Act (ICCMA) enables South Africa to share confiscated assets with countries involved in coordinated law enforcement actions. The general rule is that the amount recovered in response to a foreign confiscation order, less all expenses incurred in connection with the execution of the order, is paid over to the requesting state (s.21, ICCMA). The sharing of assets can also be achieved in terms of mutual legal assistance treaties (MLATs) entered into with other countries.

Cross-border currency transportation requirements: Yes

SARS requires all visitors carrying cash to declare the amount upon arrival in South Africa. All South African citizens and residents leaving the country with cash must declare amounts in excess of 175,000 rand (approximately $17,500) for individuals, or 250,000 rand (approximately $25,000) for families. Although South Africa has not explicitly criminalized bulk cash smuggling, failing to declare currency carries a penalty. Smuggling and reportedly lax border enforcement represent major vulnerabilities for South Africa.

Cooperation with foreign governments:

No known impediments exist to cooperation.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

From April 2003 to March 2008, 64 money laundering cases were filed in the court system, with 16 resulting in convictions. Considering the size of South Africa's economy and the suspected volume of illicit proceeds flowing through the country, the number of convictions is extremely low. Many investigators and prosecutors appear to focus on predicate offenses.

In part due to the stricter banking requirements, but also because of the cash-driven nature of the South African economy, South Africans, particularly the Muslim and Indian communities, often use alternative remittance systems that bypass the formal financial sector. Hawala networks in South Africa have direct ties to both South Asia and the Middle East. Currently, South Africa does not require alternative remittance providers or participants to report cash transactions within the country.

Foreign workers and refugees in South Africa often use the public transportation network (*e.g.,* taxi drivers, bus drivers) to physically move cash, mostly from wage earnings, across the border, rather than making remittances through the formal financial sector. The authorities advise that this form of remittance has long been used by migrant labor and has been integral to regional economic development for more than a century, while the cash component is indicative of the extent to which the regional economy remains cash-based.

U.S.-related currency transactions:

US currency is rarely used to transact business in South Africa. Post is unaware of any dollar-smuggling cases, and South Africa is not a major source of drug trafficking directly to the U.S.

Records exchange mechanism with U.S.:

South Africa cooperates with the United States in exchanging information related to money laundering and terrorist financing. The two nations have a MLAT and a bilateral extradition treaty (litigation regarding the status of the extradition treaty is now before the South African Constitutional Court). In 2009, the FIC signed a memorandum of understanding with FinCEN.

International agreements:

South Africa 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

South Africa is a member of the Financial Action Task Force (FATF) and the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation, adopted in 2009, can be found here: http://www.fatf-gafi.org/dataoecd/60/15/42432085.pdf

Recommendations:

The Government of South Africa (GOSA) should more proactively pursue money laundering offenses. South Africa should establish controls for cross-border currency movements, bolster border enforcement and examine trade-based money laundering. It should also regulate and investigate the country's alternative remittance systems, and further examine their use and vulnerability to exploitation by money launderers and terrorist financiers. Authorities should ensure that designated non-financial businesses and professions report suspicious transactions and enforce anti-money laundering regulations within the casino industry. An assessment of terrorist financing risks within the non-profit organizations sector should be conducted. Law enforcement and customs officials should follow the money and value trails during the course of their investigations to determine if money laundering has occurred. The GOSA should fully implement the new law against terrorist activity and terrorist financing. South Africa should publish the annual number of money laundering and terrorist financing investigations, prosecutions, and convictions.

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.

Sri Lanka

Sri Lanka is not a financial center. Sri Lanka has a cash intensive society. A significant amount of money is transferred through informal remittance systems. Hawala is officially illegal in Sri Lanka, however, many Sri Lankan migrant workers, mainly in the Middle East, use hawala to remit their earnings. Various payments out of Sri Lanka are also made using this system. Trafficking of drugs generates significant amounts of criminal proceeds, and those proceeds are also readily transported via hawala. Cash-intensive establishments such as restaurants, hotels, casinos, and construction companies have also been used as front companies to launder illicit funds. Illegal profits are co-mingled with legitimate income in the placement and layering stages of money laundering. The over- and under-invoicing of import/export transactions are used as a method of money laundering, to settle accounts between hawaladars, and in circumventing Sri Lanka's foreign exchange law. From 1983 to May 2009, the Government of Sri Lanka (GOSL) engaged in an armed conflict with the Liberation Tigers of Tamil Eelam (LTTE), a terrorist organization seeking an independent homeland for Sri Lanka's Tamil people.

Offshore Center:

Sri Lanka is not considered an offshore financial center. Offshore banking units are allowed to operate as a part of a commercial bank operating in an overseas country in order to facilitate trade finance. They are subject to Central Bank supervision. Bearer shares are not permitted for offshore banks and foreign-owned companies.

Free Trade Zones: Yes

Sri Lanka has 12 export-processing zones, administered by the state-owned Board of Investment (BOI). The zones house export-manufacturing operations. Only companies approved by the BOI are allowed to operate inside the zones.

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

Money-laundering is a criminal offense under the Prevention of Money Laundering Act No 5 of 2006 (Act No. 5). The definition of money-laundering covers many offenses already covered under existing laws on narcotics, terrorism prevention, bribery, firearms, exchange control, banking, transnational organized crime, cyber crimes, child protection, trafficking of persons and any other offense punishable by death or imprisonment of seven years or more.

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 Convention on the Suppression of Terrorist Financing Act No 25 of 2005 (Act No. 25) gives effect to the UN Convention for the Suppression of the Financing of Terrorism.

Know-your-customer rules: Yes

In June 2007, the financial intelligence unit (FIU) issued know your customer (KYC) and customer due diligence (CDD) policies applicable to banking institutions and finance companies. In December 2007, the FIU issued KYC and CDD policies for securities dealers, and in August 2008, for insurance companies. Regulatory instruments are being developed for the other reporting entities.

Bank records retention: Yes

Obligated entities must maintain required documents for a period of six years.

Suspicious transaction reporting: Yes

Financial institutions such as banks, finance companies, leasing companies, money transfer agents, credit card issuers, foreign exchange and money market dealers, and designated non-finance businesses such as portfolio managers, fund managers, insurance companies, casinos, and real estate agents are required to file suspicious transaction reports (STRs). Sri Lanka has a tradition of strict bank secrecy laws, under which the GOSL is required to have a court order to obtain banking information on bank customers. However, the 2006 money-laundering and terrorist financing laws override the bank secrecy provisions of other laws. In practice, banks have recognized a fairly liberal reading of the anti money-laundering/counter-terrorist financing (AML/CFT) laws and have generally been responsive in providing information under these laws. However, these reporting requirements only cover the formal financial sector and not informal money transfer organizations. The FIU received 91 STRs from January to November 2009 and referred 15 STRs to law enforcement.

Large currency transaction reporting: Yes

Obligated entities must record large cash transaction reports and forward them to the FIU. The reporting threshold for both cash and electronic transactions was increased from Rs 500,000 (approximately $4,350) to Rs 1 million (approximately $8,700).

Narcotics asset seizure and forfeiture:

Anti-money laundering legislation includes asset forfeiture and seizure provisions for narcotics-related money laundering.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements:

The Central Bank's Exchange Control Department has imposed regulations for limiting and monitoring the cross border transportation of currency and monetary instruments. Declarations are required when leaving the country for currency notes over $5,000 and for currency plus travelers checks amounting to over $10,000 (or the equivalent in other foreign currencies). Declarations are required when arriving in Sri Lanka for amounts over $15,000 or for lower amounts of foreign currency notes brought in if the traveler intends to later take out foreign currency notes exceeding $5,000.

Cooperation with foreign governments:

The Mutual Assistance in Criminal Matters Act of 2002 provides for cooperation in criminal matters with Commonwealth countries and with non-Commonwealth countries with which Sri Lanka has entered into a bilateral agreement on mutual assistance in criminal matters. Under Acts No. 25 and No. 5, the government is required to cooperate and provide assistance with regard to investigations and prosecutions under the respective laws. In August 2008, Sri Lanka also became a signatory to the South Asian Association for Regional Cooperation (SAARC) Convention on Mutual Legal Assistance in Criminal Matters.

U.S. or international sanctions or penalties: No

In October 1997, the US Government designated the LTTE as a Foreign Terrorist Organization under provisions of the Anti-Terrorism and Effective Death Penalty Act of 1996. The Government of Sri Lanka lifted a proscription on the LTTE in 2001 but still designates the LTTE as a terrorist organization under "UN Regulation 1 of 2001" made under United Nations Act No 45 of 1968. This regulation was introduced by the Ministry of Foreign Affairs to give effect to binding obligations under UNSCR 1373.

Under the regulation, funds cannot be remitted to the LTTE. The LTTE has used a number of nonprofit organizations for financing, including the Tamil Rehabilitation Organization, designated under U.S. Executive Order 13224 for providing material support to the LTTE. In December 2007, the GOSL proscribed the TRO in Sri Lanka. The FIU seized and later forfeited approximately Rs 72 million, or $720,000 from TRO bank accounts.

Enforcement and implementation issues and comments:

The FIU's regulatory authority only covers the formal financial system and does not cover informal money transfers.

The Central Bank continues to allow the operation of bearer certificates of deposits, although banks are required to maintain a record of purchasers of these certificates.

There have been no successful money laundering prosecutions in Sri Lanka.

The FIU circulates the list of individuals designated under UNSCR 1267 to local financial institutions with instructions to identify, freeze, and seize terrorist assets. To date, no such assets have been identified.

U.S.-related currency transactions:

There are no indications that currency transactions in Sri Lanka involving international narcotics trafficking proceeds 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.

Records exchange mechanism with U.S.:

The Sri Lankan FIU has not entered into an information exchange agreement with the Financial Crimes Enforcement Network.

International agreements:

The Sri Lankan FIU joined the Egmont Group of FIUs in June 2009. The Sri Lankan FIU must enter into a written agreement with a counterpart FIU before it is able to exchange financial intelligence with that entity.

Sri Lanka 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

Sri Lanka is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here: http://www.apgml.org/documents/docs/17/Sri%20Lanka%20MER%20-%20Final%2010August06.pdf

Recommendations:

The Government of Sri Lanka should continue its efforts to combat money laundering and terrorist financing. The GOSL should provide adequate supervision and monitoring of informal money remitters or else curtail their activity according to its outstanding legislation. Sri Lanka should immobilize its bearer certificates of deposit. The GOSL should ratify the UN Convention against Transnational Organized Crime.

St. Kitts and Nevis

St. Kitts and Nevis is a federation composed of two islands in the Eastern Caribbean. The federation is at major risk for corruption and money laundering due to the high volume of narcotics trafficking activity

through and around the island, and the presence of known traffickers on the islands. The growth of its offshore sector and an inadequately regulated economic citizenship program further contribute to the federation's money laundering vulnerabilities.

The Ministry of Finance oversees St. Kitts and Nevis' Citizenship by Investment Program. An individual may qualify for citizenship with a $350,000 minimum investment in real estate. In addition, the Government of St. Kitts and Nevis (GOSKN) created the Sugar Industry Diversification Foundation as a special approved project for the purposes of citizenship by investment. To be eligible, an applicant must make a contribution ranging from $200,000 to $400,000 (based on the number of the applicant's dependents). The GOSKN requires applicants to make a source of funds declaration and provide evidence supporting the declaration.

Offshore Center: Yes

With most of the offshore financial activity concentrated in Nevis, it has developed its own offshore legislation. As of November 2009, Nevis has one offshore bank, 106 licensed insurance companies, 11,809 international business companies (IBCs), 4,511 limited liability companies (LLCs), 1,026 international trusts, 83 multiform foundations (used for estate planning, charity financing, and special investment holding arrangements), and 58 registered agents. Figures from 2009 indicate St. Kitts has 1,780 exempt companies and foundations, 100 captive insurance companies, four trust service providers and 31 corporate service providers. Internet gaming entities must apply for a license as an IBC. The GOSKN states that extensive background checks on all proposed licensees are conducted by a third party on behalf of the GOSKN before a license is granted. By law, all offshore bank licensees are required to have a physical presence in the federation. Shell companies are not permitted.

Free Trade Zones:

No information available.

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

The Proceeds of Crime Act No. 16 of 2000 (POCA) criminalizes money laundering for serious offenses (defined to include more than drug offenses).

Criminalizes other money laundering, including terrorism-related: Yes

The POCA, as amended in 2008, covers all financial institutions, including nonbank financial institutions and dealers in precious stones and metal for purposes of anti-money laundering/counter-terrorist financing (AML/CFT). The Money Services Business Act, implemented in January 2009, provides for the licensing and regulation of the business of the transmission of money or monetary value in any form.

Criminalizes terrorist financing: Yes

The Anti-Terrorism Act No. 21 of 2002 (ATA) criminalizes terrorist financing.

Know-your-customer rules: Yes

The Anti-Money Laundering Regulations 2001 require financial institutions to identify their customers. In July 2008, the GOSKN issued amended Anti-Money Laundering Regulations and Guidance Notes to update and apply a risk-based approach to regulation and to include CFT measures; identification procedures for one-off transactions; and enhanced due diligence.

Bank records retention: Yes

The Anti-Money Laundering Regulations 2001 require financial institutions to maintain a record of transactions for up to five years.

Suspicious transaction reporting: Yes

The Anti-Money Laundering Regulations 2001 also require financial institutions to report suspicious transactions to the financial intelligence unit (FIU). In 2009, the FIU received 281 suspicious activity reports and referred 129 to law enforcement for appropriate action.

Large currency transaction reporting:

No information available.

Narcotics asset seizure and forfeiture: Yes

Under the POCA, legitimate businesses can be seized by the FIU if proven to be connected to money laundering activities. The FIU and the Director of Public Prosecutions (DPP) are responsible for tracing, seizing, and freezing assets. The FIU can freeze an individual's bank account for up to five days in the absence of a court order; freeze orders obtained via the court may have an expiration of six months or more. The ATA provides the FIU and Director of Public Prosecutions the authority to identify, freeze, and/or forfeit terrorist finance-related assets. However, the law only allows for criminal forfeiture, and only of criminal proceeds, not instrumentalities or intended instrumentalities of the underlying crime. Civil forfeiture is considered unconstitutional. In 2008, $154,000 was forfeited. No assets were forfeited in 2009. The confiscation system has not been used with respect to any money laundering or terrorist financing offenses.

Narcotics asset sharing authority: No

There is no legislation relating to the sharing of seized narcotics assets or assets from other serious crimes with other governments.

Cross-border currency transportation requirements: Yes

Under the POCA any person importing into or exporting from St. Kitts and Nevis a value exceeding $10,000 or its equivalent in Eastern Caribbean dollars, or other currency, needs to declare it through Customs. In addition, the Customs Control and Management Act criminalizes bulk cash smuggling.

Cooperation with foreign governments (including refusals):

As a result of a refusal by the GOSKN to remit over $1,000,000 in securities fraud proceeds arising out of a prosecution in the Southern District of California, the U.S. filed an action against the U.S. correspondent account of the Bank of Nevis under the USA PATRIOT Act. A judge in Nevis recognized the U.S. court-appointed SEC Receiver as an appropriate recipient of the funds from the Bank of Nevis, and as a result, the U.S. action is now settled. Since this case, the GOSKN has restrained funds at the request of the United States, and has repatriated approximately 2/3 of the amount restrained.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

GOSKN circulates to its financial institutions the names of individuals and entities included on the UN 1267 Sanctions Committee's lists. To date, no terrorist related funds have been identified.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

A Mutual Legal Assistance Treaty (MLAT) between St. Kitts and Nevis and the United States entered into force in 2000. Past requests from the United States under the MLAT have not always been treated with appropriate responsiveness. More recently, relations have improved, and there are efforts by the DPP office to remedy the previous deficiencies in the system.

International agreements:

St. Kitts and Nevis 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

St. Kitts and Nevis is also a member of the Organization of American States Inter-American Drug Abuse Control Commission Experts Group to Control Money Laundering (OAS/CICAD). St. Kitts and Nevis also is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.cfatf-gafic.org/downloadables/mer/St.Kitts_Nevis_3rd_Round_MER_%28Final%29_English.pdf

Recommendations:

Bank secrecy laws, bearer shares, and the lack of transparency of beneficial ownership of legal entities make Nevis, in particular, a haven for criminals to conceal their assets. To address remaining vulnerabilities, the Government of St. Kitts and Nevis (GOSKN) should devote sufficient resources to effectively implement its AML/CFT regime, giving particular attention to its offshore financial sector. It is also vital that St. Kitts and Nevis determine the exact number of Internet gaming companies present on the islands and provide the necessary oversight of these entities. As part of operating an offshore financial center, St. Kitts and Nevis needs to provide adequate resources and capacity to law enforcement agencies to effectively investigate money laundering cases. The GOSKN should ensure close supervision of its economic citizenship programs or else consider their discontinuance. Additionally, Nevis should expand its supervision program to credit unions, local insurance companies, and money transfer agencies. To strengthen its legal framework against money laundering, St. Kitts and Nevis should move expeditiously to become a party to the UN Convention against Corruption. The GOSKN should also more closely cooperate with foreign government partners, identifying criminally-derived property within its banking system, or property purchased in the country, with a view toward depriving criminal organizations of their ill-gotten gains, and reaching agreements with those partners to permit the sharing of such confiscated property.

St. Lucia

St. Lucia has developed an offshore financial service center that is vulnerable to money laundering. Additionally, the transshipment of narcotics (cocaine and marijuana), unregulated money remittance businesses, cash smuggling, and bank fraud, such as counterfeit U.S. checks and identity theft, are among the other primary sources for laundered funds in St. Lucia.

Offshore Center: Yes

As of yearend 2009, St. Lucia has six offshore banks - of the six, two are Class B Banks (totally private and may not have a physical presence in St. Lucia) and four are Class A Banks. There are 3,686 International Business Companies (IBCs), 82 offshore international businesses, 4,000 exempt companies, 19 shell companies, 38 trust companies and agents, and ten insurance companies. Shell banks are not permitted. St. Lucia licenses offshore banks and IBCs, and background checks are performed on all individuals connected to these companies. The Financial Sector Supervision Unit (FSSU) is responsible for the regulation of the onshore and offshore sector.

Free Trade Zones: Yes

The Government of St. Lucia (GOSL) also has established one free trade zone (FTZ) where investors may establish businesses and conduct trade and commerce within the FTZ or between the FTZ and foreign countries. St. Lucia authorities indicate there is a permanent Customs presence and monitoring by the Free Zone Management Authority. Identification of companies and individuals who use the zone is required.

Criminalizes narcotics money laundering: Yes

Money laundering in St. Lucia is a crime under the 1993 Proceeds of Crime Act and the Money Laundering (Prevention) Act (MLPA) of 2003.

Criminalizes other money laundering, including terrorism-related: Yes

The MLPA criminalizes the laundering of proceeds with respect to numerous predicate offenses, including narcotics and firearms trafficking, abduction, blackmail, counterfeiting, extortion, forgery, corruption, fraud, prostitution, trafficking in persons, tax evasion, terrorism, gambling, illegal deposit taking and robbery. However, certain crimes are not predicates for money laundering, such as smuggling, insider trading and market manipulation, counterfeiting, trafficking in stolen property, and organized crime.

Criminalizes terrorist financing: No

The GOSL has not criminalized terrorist financing. However, St. Lucia circulates to financial institutions lists of terrorists and terrorist organizations on the UN 1267 Sanctions Committee's consolidated list and the list of Specially Designated Global Terrorists designated by the United States pursuant to Executive Order 13224. The GOSL has the legislative power to freeze, seize and forfeit terrorist finance-related assets. To date, no accounts associated with terrorists or terrorist entities have been found in St. Lucia.

Know-your-customer rules: Yes

The MLPA imposes a duty on financial institutions to take reasonable measures to establish the identity of customers, and requires accounts to be maintained in the true name of the holder. It also requires an institution to take reasonable measures to identify the underlying beneficial owner when an agent, trustee or nominee operates an account. These obligations apply to domestic and offshore financial institutions, including banks, building societies, financial services providers, credit unions, trust companies, and insurance companies. The FSSU has issued detailed guidance notes to implement the MLPA. Currently, steps are also being taken to implement legislation to regulate money remitters.

Bank records retention: Yes

The MLPA imposes record keeping requirements.

Suspicious transaction reporting: Yes

The MLPA mandates suspicious transaction reporting. St. Lucia's financial intelligence unit (FIU), the Financial Intelligence Authority (FIA), is responsible for receiving, analyzing and disseminating suspicious transaction reports (STRs). In 2009, the FIA received 65 STRs, three of which were referred to law enforcement agencies for further investigation.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture:

Under current legislation, instruments of crime, such as conveyances, farms, and bank accounts, can be seized by the FIA. Substitute assets also can be seized. The legislation also applies to legitimate businesses if used to launder drug money, support terrorist activity, or if otherwise used in a crime. There is no legislation for civil forfeiture. If the individual or business is not charged, then assets must be released within seven days. No assets or cash were seized or frozen in 2009.

Narcotics asset sharing authority: No

There is no legislation for sharing of narcotics assets.

Cross-border currency transportation requirements:

No information available.

Cooperation with foreign governments (including refusals):

The GOSL has been cooperative with the USG in financial crimes investigations.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

There were no arrests or prosecutions for money laundering or terrorist financing in 2009. There was one extradition for money laundering and fraud in 2009.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

In February 2000, St. Lucia and the United States brought into force a Mutual Legal Assistance Treaty.

International agreements:

St. Lucia's FIU became a member of the Egmont Group in May 2009.

St. Lucia 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

The GOSL is a member of the OAS Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering. St. Lucia 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/mutual-evaluation-reports.html

Recommendations:

The Government of St. Lucia should move expeditiously to criminalize terrorist financing. It also should enhance and implement its anti-money laundering legislation and programs by regulating money remitters and consider the adoption of civil forfeiture legislation. Efforts to increase transparency within the island's offshore financial services sector should be continued. St. Lucia also should criminalize self-laundering and implement risk-based assessment procedures as well as consider requirements for reporting large monetary transactions to the FIA. The GOSL should intensify its efforts to investigate, prosecute, and sentence money launderers and those involved in other financial crimes, and should permit extradition in cases of money laundering and terrorist financing. St. Lucia should use its asset seizure and forfeiture regimes, and provide for asset sharing with other governments. St. Lucia should become a party to the UN Convention for the Suppression of the Financing of Terrorism, the UN Convention against Transnational Organized Crime, and the UN Convention against Corruption.

St. Vincent and the Grenadines

St. Vincent and the Grenadines (SVG) remains vulnerable to money laundering and other financial crimes as a result of drug trafficking and its offshore financial sector. Money laundering is principally affiliated with the production and trafficking of marijuana in SVG, as well as the trafficking of other narcotics from South America. Drug trafficking is controlled by a small group of local criminals. There is no evidence to suggest there are organized crime syndicates in SVG and no known terrorist groups operate in the country. Money laundering occurs in various financial institutions such as domestic and offshore banks and money remitters. There has been a slight increase in fraud and the use of counterfeit instruments over

the last year, such as tendering counterfeit checks or cash. The Government of St. Vincent and the Grenadines (GOSVG) eliminated its economic citizenship program.

Offshore Center: Yes

The offshore sector includes four offshore banks, 9,584 international business corporations (IBCs), 13 offshore insurance companies, 45 mutual funds, 19 registered agents, and 123 international trusts. There are no offshore casinos, and no Internet gaming licenses have been issued. No physical presence is required for offshore sector entities and businesses, with the exception of offshore banks. Nominee directors are not mandatory except when an IBC is formed to carry on banking business. Bearer shares are permitted for IBCs but not for banks. The International Business Companies (Amendment) Act No. 26 and 44 of 2002 was enacted to immobilize bearer shares and requires registration and custody of bearer share certificates by a registered agent who must also keep a record of each bearer certificate issued or deposited in its custody. The record must contain pertinent information relating to the company issuing the shares, the number of the share certificate, and identity of the beneficial owner. The Offshore Finance Inspector has the ability to access the name or title of a customer account and confidential information about a licensed customer.

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

The Proceeds of Crime and Money Laundering (Prevention) Act 2001 (PCMLPA) criminalizes money laundering. In 2005, the PCMLPA was amended to include an all offenses approach and to extend the scope of sections relating to the seizure, detention, and forfeiture of cash. In addition to banks, money laundering controls also apply to nonbanking financial institutions and intermediaries including exchange houses, stock brokerages, cash couriers, casinos, insurance companies, lawyers and accountants.

Criminalizes terrorist financing: Yes

All terrorist financing offenses are predicate offenses to money laundering, therefore the mechanisms available under the PCMLPA to identify, trace, freeze, forfeit, and confiscate properties related to money laundering can also be used for terrorist financing cases. In 2006, the GOSVG enacted the United Nations (Anti-Terrorism Measures) (Amendment) Act 2006, Act No. 13 (UNATMA). The UNATMA criminalizes terrorist financing and imposes a legal obligation on financial institutions and relevant businesses to report suspicious transactions relating to terrorism and terrorist financing to the Financial Intelligence Unit (FIU).

Know-your-customer rules: Yes

The Proceeds of Crime (Money Laundering) Regulations establish mandatory record keeping rules and customer identification requirements.

Bank records retention: Yes

Financial institutions are required to maintain all records relating to transactions for a minimum of seven years.

Suspicious transaction reporting: Yes

The PCMLPA obligates covered entities to report suspicious transactions regardless of the transaction amount if a transaction could constitute money laundering, the proceeds of criminal conduct, or terrorist financing. The Financial Intelligence Unit Act No. 38 of 2001 (FIU Act) establishes the GOSVG's FIU. The FIU has the mandate to receive, analyze, and investigate financial intelligence, and prosecute money laundering cases. As of November 2009, the FIU received 1,184 suspicious activity reports for the year, almost triple that of 2008.

Large currency transaction reporting: Yes

Banks and other financial institutions are required to know and report the identity of customers engaging in significant transactions. Customers are required to complete a source of funds declaration for any cash transaction over 10,000 East Caribbean dollars (XCD) (approximately $3,700).

Narcotics asset seizure and forfeiture:

Existing anti-money laundering legislation allows for the criminal forfeiture of intangible as well as tangible property. Drug trafficking offenses also may be liable to the forfeiture provisions pursuant to the Drug (Prevention and Misuse) Act and the Criminal Code. There is no period of time during which the assets must be released. The FIU is responsible for tracing, seizing, and freezing assets. In 2009, approximately $293,822 in assets and cash was frozen or seized.

Narcotics asset sharing authority:

St. Vincent and the Grenadines has enacted legislation for the sharing of seized narcotics assets, as well as the assets from other serious crimes with other governments. Section 55 of the PCMLPA authorizes the Minister of Finance, after consultation with the National Anti-Money Laundering Committee and Cabinet, to access funds from the Confiscated Assets Fund to satisfy an obligation of the GOSVG to a foreign jurisdiction.

Cross-border currency transportation requirements: Partially

Incoming travelers are required to declare currency over 10,000 XCD (approximately $3,700) on a customs declaration form. Bulk cash smuggling and the use of cash couriers to move proceeds of criminal and terrorist activity is a primary concern of the GOSVG. There are laws which criminalize the smuggling of cash both in and out of SVG. Customs officials are aware of the existence of cash courier problems and are trained to handle them.

Cooperation with foreign governments:

No known impediments exist to cooperation.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

In December 2008, a suspect was arrested and charged under the PCMLPA. The charges related to $1,700,000 discovered within a harbor in St. Vincent on board a yacht owned by the suspect which, in whole or in part, directly represented criminal proceeds. Two other individuals, the operators of the vessel, were charged in April 2008, when the funds were discovered. The suspect's arrest was a major milestone for law enforcement in St. Vincent, as the first arrest under the Act. There have been no arrests or prosecutions for money laundering or terrorist financing in 2009.

The UN 1267 Sanctions Committee's consolidated list is circulated by the FIU to all financial institutions whether domestic or offshore. The institutions are also provided with a link to the website for review.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

An updated extradition treaty and a Mutual Legal Assistance Treaty between the United States and the GOSVG entered into force in 1999. SVG officials have regularly assisted the U.S. Internal Revenue Service on investigations.

International agreements:

The FIU is permitted to enter agreements or make arrangements to share information with foreign FIUs. For example, SVG signed a memorandum of understanding with Bermuda in November 2009 to assist both countries' ability to trace, seize, and freeze assets related to money laundering and terrorist financing.

The GOSVG 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

The GOSVG is a member of the Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Experts Group to Control Money Laundering. SVG also is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force-style regional body. The International Monetary Fund conducted an evaluation in 2009. The report will be posted here: http://www.cfatf-gafic.org/mutual-evaluation-reports.html

Recommendations:

The Government of St. Vincent and the Grenadines has strengthened its anti-money laundering/counter-terrorist financing (AML/CFT) regime through legislation and the establishment of an effective FIU. The GOSVG should continue to ensure this legislation is fully implemented, and the FIU has access to all necessary information. The GOSVG should properly supervise and regulate all aspects of its offshore sector, including continuing to insist the beneficial owners of IBCs are known and listed in a registry available to law enforcement, and immobilizing all bearer shares. The GOSVG should also continue to provide training and devote resources to increase the cooperation among its regulatory, law enforcement, and FIU personnel in AML/CFT operations and investigations. To ensure timely and effective information sharing, the GOSVG would be well served to computerize its record keeping systems. Passage of civil forfeiture legislation and broader use of special investigative techniques should continue to be pursued to strengthen the government's AML/CFT efforts. St. Vincent and the Grenadines should also become a party to the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

Suriname

Money laundering in Suriname is closely linked to transnational criminal activity related to the transshipment of cocaine to the United States, Europe, and Africa. Domestic drug trafficking organizations and organized crime, with links to international groups, are thought to control much of the money-laundering proceeds, which are laundered and invested locally in casinos, real estate, and private sector businesses. Additionally, money laundering occurs as a result of poorly regulated private sector activities, such as casinos and car dealerships, the non-bank financial sector, construction, the sale of gold purchased with illicit money, the purchase and sale of real estate, and the manipulation of commercial bank accounts. There are indications some trade-based money laundering is occurring in Suriname, such as through the activities of local car dealerships and the sale of consumer goods. There is an informal gold economy in the interior mining region of the country; money launderers have taken advantage of this existing gold economy to launder their proceeds. Suriname's porous borders and lack of corresponding enforcement facilitate smuggling.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

The 2002 Act Penalizing Money Laundering criminalizes all types of money laundering for proceeds derived from criminal offenses.

Criminalizes terrorist financing: No

A draft law on terrorism is under review by the Council of Ministers.

Know-your-customer rules: Yes

Suriname's legislation requires service providers to confirm the identities of individual or corporate clients before completing requested services. This practice is not implemented by cambios (exchange houses), many of which include drive-thru windows.

Bank records retention: Yes

Suriname's legislation requires service providers to retain photocopies of identity documents and all other relevant documents pertaining to national and international transactions for a period of seven years.

Suspicious transaction reporting: Yes

Financial institutions are required to report unusual or suspicious transactions. Although the law requires financial institutions, non-bank financial institutions, and individuals who provide financial services to report unusual transactions to the financial intelligence unit (FIU), only 130 entities in Suriname are registered with the FIU and have received training regarding Suriname's money laundering legislation. The FIU continues to have difficulty registering providers in certain sectors. As a result, not all of Suriname's jewelers, notaries, credit unions, cambios, casinos, or car dealers are aware of, or in compliance with, the requirements of the money laundering legislation.

Large currency transaction reporting:

Reporting is mandatory if financial transactions are above a certain threshold; however, sanctions for noncompliance are not currently enforced. The thresholds for financial institutions range from $5,000 for money-transfer offices to $10,000 for banks, insurance companies, money exchange offices, and savings and credit unions. Thresholds for nonbanking financial institutions and individuals are $5,000 for casinos, $10,000 for dealers of precious metals and stones, and $25,000 for notaries, accountants, lawyers, and car dealerships.

Narcotics asset seizure and forfeiture:

An amendment to the criminal code enacted in 2003 allows authorities to confiscate proceeds and assets obtained partly or completely through criminal offenses, and to seize items that were used in the planning or the commission of a criminal act. The Ministry of Justice and Police as well as the court system are responsible for tracing, seizing, and freezing assets. Under current law, assets cannot be converted to cash or disposed of, but new asset forfeiture legislation which would make this possible has been drafted and is under review at the National Assembly. Suriname also has legislation that allows the authorities to freeze assets of those suspected of money laundering. Assets may be confiscated pending the outcome of the trial. There are no provisions for civil forfeiture.

Narcotics asset sharing authority: No

Suriname has not enacted laws for the sharing of seized assets with governments and is not engaged in negotiations with other governments to enhance asset tracing, freezing and seizure.

Cross-border currency transportation requirements: Yes

Amounts in excess of $10,000 must be reported to authorities before entering or leaving Suriname. In addition, any person who wishes to take money in excess of $10,000 out of the country must notify the Immigration Police.

Cooperation with foreign governments:

Mutual legal assistance activity is frequent, particularly with the neighboring countries and the Netherlands. As a general rule all requests are channeled through the Office of the Prosecutor General as central authority.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Upon making a determination that an unusual activity report is indeed suspicious and sufficient to initiate an investigation, the FIU refers the matter to the Attorney General's Office. In 2009, two suspicious transactions forwarded by the FIU were reviewed for possible police investigation. If the Attorney General's Office concurs with the FIU's findings, it directs the Financial Investigation Team (FOT) to conduct an investigation. As of October 2009, the FOT had not received any cases from the Attorney General's Office. However, the FOT investigated money laundering cases against suspects already arrested on narcotics charges, and had investigated nine such cases as of October 30, 2009.

U.S.-related currency transactions:

Narcotics traffickers in Suriname and the surrounding region frequently use US dollars.

Records exchange mechanism with U.S.:

Suriname has cooperation agreements with the United States on narcotics trafficking and has exchanged information with appropriate USG law enforcement agencies investigating financial crimes related to narcotics.

International agreements:

The Government of Suriname (GOS) is party to the Treaty of Chaguaramas which contains general principles on mutual assistance between Caribbean Community (CARICOM) countries. The GOS has signed and ratified the Organization of American States Convention on Mutual Legal Assistance in Criminal Matters. Suriname is not a member of the Egmont Group of FIUs.

The GOS 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

Suriname is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is found here: http://www.cfatf-gafic.org/mutual-evaluation-reports.html

Recommendations:

The Government of Suriname (GOS) should assure all nonfinancial businesses and professions are subject to and fully implement customer identification and unusual transaction reporting procedures. Additionally, Suriname should ensure that those same entities are subject to adequate supervision and enforcement programs. The GOS should enact its pending legislation to enhance its asset seizure and forfeiture regime. Suriname should implement reforms to permit the FIU to qualify as a member of the Egmont Group. The GOS should criminalize terrorist financing and become a party to the UN Convention for the Suppression of the Financing of Terrorism.

Swaziland

Swaziland is not considered an important regional financial center. An in-country crime syndicate controls the sale or trade in dagga (marijuana), the proceeds of which may be laundered in Swaziland.

There is a general belief that trade-based money laundering exists in Swaziland. There is suspicion that some retail shops are used for laundering money because there is no cash declaration between Swaziland and South Africa. There is also suspicion that cash gained from the sale of marijuana or hard drugs is used to buy goods for retail outlets and to build houses on non-titled land. The country is experiencing an increase in financial crimes related to fraud, as well as pyramid schemes. There is a significant black market for smuggled goods such as cigarettes, liquor, and pirated radio cassettes, videocassettes, and DVDs between Mozambique, South Africa and Swaziland. The smuggling of illegal goods is not funded by narcotics proceeds or other illicit proceeds.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Money laundering is a criminal offense in Swaziland and is punishable by law under the Money-Laundering Act of 2001 (MLA).

Criminalizes other money laundering, including terrorism-related: Partially

The MLA lists as predicate offenses blackmail, counterfeiting, drug trafficking and related crimes, extortion, false accounting, forgery, fraud, illegal deposit taking, terrorism, arms trafficking, kidnapping, and robbery and theft above a threshold of the equivalent of $1538. The law does not include the financing of terrorist activities as a predicate offense.

Criminalizes terrorist financing:

The Suppression of Terrorism Act of 2008 criminalizes the financing of terrorists and their activities.

Know-your-customer rules:

All new clients of financial institutions are required to present their national Personal Identification Number (PIN) to establish their identity and to furnish the bank with utility bills indicating their physical place of residence.

Bank records retention:

According to the Financial Institutions Act of 2006, financial institutions are required to keep financial records for a period of at least five years.

Suspicious transaction reporting:

All banks and non-bank financial institutions are required to pay special attention to all complex and unusual or large transactions and to promptly report such suspicious transactions to the Central Bank of Swaziland (CBS). Financial institutions did submit STRs in 2009, which resulted in two pyramid schemes companies being liquidated and one still under investigation.

Large currency transaction reporting:

No information available.

Narcotics asset seizure and forfeiture:

The Serious Offenses (Confiscation of Proceeds) Act of 2001 allows for the confiscation of assets procured by commission of a serious offense. Money laundering is not listed as a serious offense, but the act does include a number of predicate offenses for money laundering. The government can seize any property acquired directly or indirectly from the commission of money laundering. A legitimate business entity can be seized if it is established and proved that it is involved in money laundering deals. The law does not allow for civil forfeiture. The Government of the Kingdom of Swaziland (GKOS) does not have

an independent national mechanism in place for freezing terrorist-related assets. In 2009, the GKOS did not freeze any narcotics or other criminal-related assets.

Narcotics asset sharing authority:

Swaziland has not enacted laws for the sharing of seized narcotics assets, nor assets from other serious crimes, with other governments. The GKOS is engaged in multilateral negotiations with other governments to enhance asset tracing, freezing and seizure.

Cross-border currency transportation requirements:

According to the MLA, a person who leaves Swaziland for a destination outside the Common Money Area (CMA), composed of South Africa, Swaziland, Lesotho, and Namibia, with more than $1538 is required to obtain permission from the CBS. The CMA provides free flow of funds among the four countries with no exchange controls. The MLA requires persons leaving Swaziland for a destination outside of the CMA to report funds in excess of E10, 000. Cash declaration forms are not used at the country's border posts.

Cooperation with foreign governments:

The MLA allows for international cooperation. Swaziland has cooperated with appropriate USG law enforcement personnel when requested.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

GKOS's biggest challenge is the implementation of its current laws. Swaziland has not successfully prosecuted money laundering or terrorist financing cases.

There is a need for clearer coordination between the Anti-Corruption Commission and the Police's Fraud Department to ensure investigations and prosecutions of white-collar crimes can be done comprehensively and efficiently. The police are not adequately trained or staffed.

A 2009 draft Money Laundering and Financing of Terrorism (Prevention) Bill proposes the establishment of a financial intelligence unit (FIU).

The CBS circulates lists of individuals and entities included on the UN 1267 sanctions committee's consolidated list to all financial institutions. The government did not freeze, seize, and/or forfeit any assets related to terrorist financing in 2009.

U.S.-related currency transactions:

There are no known or reported cases of financial institutions engaging in currency transactions involving international narcotic trafficking proceeds that include significant amounts of United States currency or currency derived from illegal drug sales in the United States.

Records exchange mechanism with U.S.:

Swaziland has not adopted laws or regulations that allow for the exchange of records with the United States on narcotics-related money laundering crimes, terrorism, or terrorist financing investigations. Currently, there are no negotiations to arrange an exchange mechanism.

International agreements:

Swaziland 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

Swaziland is a member of the Eastern and Southern Africa Anti-Money Laundering Group, a Financial Action Task Force-style regional body. Swaziland has not yet had a mutual evaluation.

Recommendations:

Swaziland has taken several important steps to establish an anti-money laundering/counter-terrorist financing (AML/CFT) regime. The Government of the Kingdom of Swaziland should adopt its pending AML/CFT legislation and work to fully implement its existing legislation. The GOKS should take steps to improve the capacity and coordination between the police and the Anti-Corruption Commission. The GOKS should establish a FIU.

Sweden

While money laundering in Sweden is a growing concern, Sweden is not a significant problem country. According to statistics from the Swedish Finance Police, the amount of suspicious money laundering transactions totaled $1.4 billion in 2009 compared with $570 million in 2007.

Money laundering in Sweden occurs by criminal proceeds being integrated and turned over in the financial system or with the help of corporations that use financial system services. Money laundering is further facilitated by criminals having contacts, influence or control over corporations within the financial system. Laundered money primarily emanates from narcotics, tax fraud, economic crimes, robbery, and organized crime. Money laundering is concentrated primarily in the large urban regions, such as Stockholm.

Offshore Center: No

Free Trade Zones: Yes

Sweden has foreign trade zones with bonded warehouses in the ports of Stockholm, Goteborg, Malmo, and Jonkoping. Goods may be stored for an unlimited time in these zones without customs clearance, but they may not be consumed or sold on a retail basis. Permission may be granted to use these goods as materials for industrial operations within a free trade zone. The same tax and labor laws apply to foreign trade zones as to other workplaces in Sweden.

Criminalizes narcotics money laundering: Yes

Conviction for a predicate offense also covers the activity of self-laundering, which is not prosecuted separately.

Criminalizes other money laundering, including terrorism-related: Yes

Money laundering is criminalized through sections 6, 6a, 7 and 7a of Chapter 9 of the Swedish Penal Code on receiving and money receiving. The basic money receiving offense covers the mandatory physical elements required by the Vienna and Palermo Conventions. Sweden has adopted an "all crimes" approach. However, in practice, the predicate crimes are prosecuted, not 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 July 2002, the Government of Sweden (GOS) implemented the UN Convention on the Suppression of Terrorist Financing. According to the legislation, it is punishable to collect, provide, or receive money or other funds with the intention of using them or in the knowledge that they are to be used to commit crimes which are classified as terrorism under international conventions. Attempts to commit such crimes are also punishable. Banks and financial institutions are obliged to report suspected terrorist financing transactions to the police. The prosecutor has to be able to prove intent to fund not only a particular organization, but also the intent to fund terrorist activity.

Know-your-customer rules:

In 1994, the GOS implemented regulations requiring financial institutions, insurance companies, security firms, currency exchange houses, providers of electronic money, and money transfer companies to verify background and identities for each transaction. Amendments in 2005 and 2008 extend the requirements to accounting firms, law firms, tax counselors, casinos, firms dealing with gambling and the sale of lottery tickets, companies buying and selling new and used vehicles, art dealers, dealers in antiques and jewelry, and real estate brokers.

In February 2009, the Swedish Parliament adopted the New AML Act which introduces customer due diligence (CDD) provisions for situations that require CDD, basic CDD measures, and measures to perform enhanced CDD.

Bank records retention:

The AML/CFT Regulations/Guidelines contain guidance on record keeping measures which require legal persons as well as natural persons conducting business operations to maintain comprehensive accounts and accounting records for ten years. The New AML Act introduces record keeping requirements in line with provisions in the 3rd European Union (EU) AML Directive.

Suspicious transaction reporting: Yes

The 1994 regulations require financial parties and other institutions to report suspicious transactions to the FIU. The obligations to file suspicious transaction reports (STRs) in the New AML Act include both STRs related to money laundering and terrorist financing. In 2008, there were 13,048 STRs filed with the FIU. The FIU handed over information to the Office of the Public Prosecutor based on 685 of the reports. There are no statistics on how many of these resulted in convictions.

Large currency transaction reporting: No

The GOS considered the establishment of such a system but decided against it.

Narcotics asset seizure and forfeiture:

Although Swedish law provides for the seizure of assets derived from drug-related activity, it is not possible to stop a transaction based solely on suspicions of unlawful activity. Law enforcement officials may only seize the assets of an organization or individual that is the subject of an ongoing criminal investigation. Freezing of assets based on UN Security Council Resolutions is carried out by implementation of European Commission law. UN and international sanctions can be imposed through the 1995 Sanctions Act, but the Swedish government does not have the authority to identify potential sources of terrorist financing and to disrupt them on its own without a decision by the EU or UN. Commencing in 2008, the rules on forfeiture were broadened to make it possible to forfeit assets which have been clearly proven to be more likely acquired through illegal activity than through legal means. The provisions only apply to crimes which are punishable by six years of prison (including certain narcotics-related crimes and all human trafficking).

Narcotics asset sharing authority: No

Sweden cooperates internationally on asset tracing, freezing and seizure. There is no asset sharing of forfeited assets between the Swedish state and other governments. Forfeited assets go to the Swedish state.

Cross-border currency transportation requirements:

There is free movement of financial instruments within the EU (including cash). The EU Regulation (EC) No. 1889/2005 on controls of cash entering or leaving the community entered into force in July 2007. According to the regulation, any natural person entering or leaving the European Community and carrying cash and/or bearer negotiable instruments of a value of 10,000 euros or more must make a

declaration to customs. This regulation is directly applicable in Sweden, with cash declarations made to Swedish Customs. The Swedish FIU believes the number of individuals who declare these transfers falls short of the real number carrying reportable amounts.

Cooperation with foreign governments:

The GOS regularly cooperates with other jurisdictions in combating money laundering and terrorist financing.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

There are a total of 250 payment transfer agents operating in the Swedish market. Approximately 100 entities are considered to be underground banking operations and hawala systems. The majority of these lack supervision since they do not register with the Swedish Financial Supervisory Authority. These systems transfer close to $100 million abroad each year, which is nearly as much as legal agents transfer.

There are currently no statistics available on convictions or prosecution for money laundering or terrorist financing for 2009. (Note that money laundering is not an independent crime in Sweden). Generally, individuals suspected of laundering money or financing terrorism are convicted for another crime. One example is the 2009 conviction of a Somali man operating a hawala system from a Stockholm suburb, who was sentenced to 18 months in prison after transferring a total of close to SEK 38 million (approximately $5.4 million) to Somali citizens in the period 2005-2007 through what he called a non-profit organization. The operation did not maintain any required accounting records.

The GOS circulates the UN 1267 consolidated list and the EU list of designated terrorists and terrorist organizations.

U.S.-related currency transactions:

There is no available information.

Records exchange mechanism with U.S.:

There is good cooperation with U.S. law enforcement agencies. In 2010, a Mutual Legal Assistance Treaty will enter into force between the U.S. and the EU.

International agreements:

Sweden 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

Sweden 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/26/35/36461995.pdf

Recommendations:

The Government of Sweden should continue to enhance its anti-money laundering/counter-terrorist financing regime by amending its terrorist financing legislation to cover all types of terrorist financing activity, registering or licensing and supervising payment transfer and remittance operators, and adopting comprehensive customer due diligence procedures.

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.

Syria

Syria is not an important regional or offshore financial center, due primarily to its still underdeveloped private banking sector and the fact the Syrian pound is not a fully convertible currency. Despite rapid growth in the banking sector since 2004, industry experts estimate only ten percent of Syria's population of nearly 21 million people actually uses banking services. Consequently, some 70 percent of all business transactions are still conducted in cash. Additionally, there continue to be significant money laundering and terrorist financing vulnerabilities in Syria's banking and non-bank financial sectors that have not been addressed by necessary legislation or other government action. Syria's black market moneychangers are not adequately regulated, and the country's borders remain porous. Regional hawala networks are intertwined with smuggling and trade-based money laundering and raise significant concerns, including involvement in the financing of terrorism. The most obvious indigenous money laundering threat involves Syria's political and business elite, whose corruption and extra-legal activities continue unabated. The U.S. Department of State has designated Syria as a State Sponsor of Terrorism.

Offshore Center: No

Free Trade Zones: **Yes**

There are eight public free trade zones in Syria and five additional free zones are planned in Damascus, Homs, Dayr al-Zawr, Idleb, and the port of Tartous. The Al-Ya'rubiyeh free trade zone in al-Hasakeh province, near the northeastern Syrian - Iraqi border, was officially inaugurated in December 2007.

In recent years, both China and Iran announced plans to build free zones in Syria, although Iran later dropped this idea in favor of pursuing a Preferential Trade Agreement with Syria. China's free zone in Adra was officially inaugurated in July 2008 and is expected to provide roughly 200 Chinese companies with a regional gateway for their goods. The volume of goods entering the free zones is estimated to be in the billions of dollars and is growing, especially with increasing demand for automobiles and automotive parts, which enter the zones free of customs tariffs before being imported into Syria. While all industries and financial institutions in the free zones must be registered with the General Organization for Free Zones, which is part of the Ministry of Economy and Trade, the Syrian General Directorate of Customs continues to lack strong procedures to check country of origin certification or the resources to adequately monitor goods that enter Syria through the zones. There are also continuing reports of Syrians using the free zones to import arms and other goods into Syria in violation of USG sanctions under the Syrian Accountability and Lebanese Sovereignty Act, and a number of United Nations Security Council Resolutions (UNSCR).

Criminalizes narcotics money laundering: Yes

In September 2003, the Syrian Arab Republic Government (SARG) passed Decree 59, criminalizing money laundering and creating the Anti-Money Laundering Commission.

Criminalizes other money laundering, including terrorism-related: Partially

In response to international pressure to improve its anti-money laundering/counter-terrorist financing (AML/CFT) regulations, the SARG passed Decree 33 in May 2005, which strengthens the Commission and empowers it to act as a financial intelligence unit (FIU). Decree 33 provides a relatively broad definition of money laundering, but one that does not fully meet international standards. The definition includes attempts to conceal the proceeds of criminal activities, knowingly helping a criminal launder funds, and the possession of money or property that resulted from the laundering of criminal proceeds. In addition, the law specifically lists thirteen crimes that are covered under the AML legislation, including narcotics offenses, fraud, and the theft of material for weapons of mass destruction. Terrorist financing is not considered a predicate offense for money laundering. A new draft AML/CFT law had been anticipated by the end of 2009 but was not passed as of yearend.

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/)

The text of Decree 33 limits the definition of terrorist financing to funds to be used for a terrorist act. There are currently no efficient laws or procedures to timely freeze terrorists' funds or the assets of persons designated in accordance with UNSCRs1267 and 1373.

Know-your-customer rules: Yes

Under Decree 33, all banks and non-bank financial institutions are required to use Know Your Customer (KYC) procedures and to follow up on their customers every three years. The chairmen of Syria's private banks continue to report that they are employing internationally recognized KYC procedures to screen transactions and also employ their own investigators to check suspicious accounts.

Bank records retention: Yes

All banks and non-bank financial institutions must maintain records on closed accounts for five years.

Suspicious transaction reporting: Yes

Under Decree 33, all banks and non-bank financial institutions are required to file suspicious transaction reports (STRs) regardless of the amount. There is no obligation requiring financial institutions to report attempted transactions or those related to terrorist financing. Many non-bank financial institutions continue to be unfamiliar with the requirements of the law.

Large currency transaction reporting: Yes

Under Decree 33, all banks and non-bank financial institutions are required to file reports with the Commission for transactions over $10,000.

Narcotics asset seizure and forfeiture:

Syrian law allows the confiscation of money and assets of a convicted money launderer. There have not been any money laundering convictions.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: No

While the SARG maintains strict controls on the amount of money that individuals can take with them out of the country, there is a high incidence of cash smuggling across the Lebanese, Iraqi, and Jordanian

borders. Most of the smuggling involves the Syrian pound, as a market for Syrian currency exists among expatriate workers and tourists in Lebanon, Jordan, and the Gulf countries. The Commission and the Customs Directorate have reportedly implemented a form asking individuals to voluntarily declare currency when entering or exiting the country, although consistency of implementation and any action resulting from enforcement remain unknown.

Cooperation with foreign governments:

The Arab committee of experts from the Ministries of Justice and Interior has concluded the draft of the Arab agreement for combating money laundering and terrorist financing, which was submitted for final approval to the meeting of the Arab Ministers of Justice in November 2008 and then to the meetings of the Arab Ministers of Interior in March 2009. The Agreement is expected to be signed late 2009/early 2010. The purpose of this draft indicative law is to guide Arab states on implementing AML/CFT controls within their jurisdictions.

U.S. or international sanctions or penalties: Yes

In May 2004, the U.S. Department of Treasury found the Commercial Bank of Syria (CBS), along with its subsidiary, the Syrian Lebanese Commercial Bank, to be a financial institution of "primary money laundering concern," pursuant to Section 311 of the USA PATRIOT Act. This finding resulted from information that CBS had been used by terrorists or persons associated with terrorist organizations, as a conduit for the laundering of proceeds generated from the illicit sale of Iraqi oil, and because of continued concerns that CBS was vulnerable to exploitation by criminal and/or terrorist enterprises. In April 2006, Treasury promulgated a final rule, based on the 2004 finding and proposed rule-making, prohibiting U.S. financial institutions from maintaining or opening correspondent or payable-through accounts with CBS or its Syrian Lebanese Commercial Bank subsidiary.

The U.S. Department of State has designated Syria as a State Sponsor of Terrorism.

Enforcement and implementation issues and comments:

In 2008, the Commission investigated 78 suspicious transaction cases. Of these 78 cases, 26 were referred to the criminal court system for prosecution. Through September 30, 2009, the Commission investigated 57 transaction cases of which 13 were forwarded by foreign countries. Three of the cases were referred to the criminal court system for prosecution. To date, all criminal cases are pending, and there have been no convictions.

Most Syrian judges are not yet familiar with the evidentiary requirements of the anti-money laundering law. Furthermore, the slow pace of the Syrian legal system and political sensitivities delay quick adjudication of these issues. The Commission itself continues to be seriously hampered by human resource constraints. The lack of expertise, further undermined by a lack of political will, continues to impede effective implementations of existing AML/CFT regulations.

Although Decree 33 provides the Central Bank with the legal basis to combat money laundering, most Syrians still do not maintain bank accounts or use checks, credit cards, or ATM machines. The Syrian economy remains primarily cash-based, and Syrians use moneychangers, some of whom also act as hawaladars, for many financial transactions. Estimates of the volume of business conducted in the black market by Syrian moneychangers range between $15 and $70 million per day. As a step to enhancing oversight of moneychangers, the SARG passed a Moneychangers law in 2006, however they remain largely unregulated.

In addition to cash smuggling, there also is a high rate of commodity smuggling out of Syria, and it has been reported that some smuggling is occurring with the knowledge of or perhaps even under the authority of the Syrian security services.

The General Directorate of Customs lacks the necessary staff and financial resources to effectively handle the problem of smuggling. While it has started to enact some limited reforms, including the computerization of border outposts and government agencies, problems of information-sharing remain.

U.S.-related currency transactions:

U.S. dollars also are commonly smuggled in the region. Some of the smuggling may involve the proceeds of narcotics and other criminal activity.

Records exchange mechanism with U.S.: None

International agreements:

Since its establishment, the Commission has signed cooperation agreements and memorandums of understanding with Turkey, Ukraine, Lebanon and Cyprus in the area of combating money laundering and terrorist financing.

Syria 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

Syria is one of the founding members of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force-style regional body. Syria's most recent mutual evaluation can be found here:
http://www.menafatf.org/images/UploadFiles/MutualEvaluationReportofSyria.pdf

Recommendations:

While the Syrian Arab Republic Government (SARG) has made modest progress in implementing AML/CFT regulations that govern its formal financial sector, the continuing lack of transparency of the state-owned banks and their vulnerability to political influence reveals the absence of political will to address AML/CFT in the largest part of the banking sector. In addition, non-bank financial institutions and the black market will continue to be vulnerable to money laundering and terrorist financiers. To build confidence in Syria's intentions, the Central Bank should be granted independence and supervisory authority over the entire sector. Additionally, the SARG should enact the draft AML/CFT law to correct many of the remaining deficiencies. Upon enactment of the new law, Syria will need to actively work to effectively implement its provisions through appropriate regulation and other related action. The SARG should become a party to the UN Convention against Corruption. The General Directorate of Customs, the Central Bank, and the judicial system in particular continue to lack the resources and the political will to effectively implement AML/CFT measures. Although the SARG has stated its intention to create the technical foundation through which different government agencies could share information about financial crimes, this system has not been created. In addition, it remains doubtful whether the SARG has the political will to combat terrorist financing by classifying what it deems as legitimate resistance groups as terrorist organizations, or to address the corruption that exists at the highest levels of government and business. All of these issues remain obstacles to developing a comprehensive and effective AML/CFT regime in Syria.

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.

Tajikistan

Tajikistan operates largely on a cash economy. The criminal proceeds laundered in Tajikistan derive primarily from foreign criminal activity related to the large portion of opiates cultivated and refined in Afghanistan traveling to Russia and the other former Soviet countries via Tajikistan. According to the Drug Enforcement Administration, in barter exchange agreements Afghan-based narcotics trafficking organizations are seeking weapons in Tajikistan in exchange for heroin. These weapons then are provided to the Taliban and Taliban-related organizations to support their efforts against the U.S.-led coalition. Domestic goods smuggling occurs in Tajikistan. Consumer goods, mostly apparel and low-cost household appliances, are smuggled to avoid customs duties and local taxes. There are several schemes for smuggling goods into the country. In most cases, goods such as tobacco, alcohol, and fuel are not "officially" imported to Tajikistan. For example, a shipment nominally intended for Afghanistan

or Kazakhstan transiting Tajikistan never reaches those countries. While there is certainly a market for smuggled goods, there is little evidence that most items are financed with narcotics money, with the exception of imported cars and other luxury items. Tajikistan has few meaningful money laundering controls and little enforcement.

Offshore Center: No

Free Trade Zones: Yes

In 2008, the Government of Tajikistan (GOT) created the free economic zones Panji Poen FEZ and Sugd FEZ. The GOT also announced the establishment in the near future of an additional FEZ in Ishkashim, and another in Khatlon to improve agricultural trade.

Criminalizes narcotics money laundering: Yes

Tajik law prohibits money laundering and it is a criminal offense. However, the money laundering offense does not fully comport with international standards.

Criminalizes other money laundering, including terrorism-related: Yes

Criminal Code Article 262, Legalization (Laundering) of Illegally Obtained Incomes lists designated offenses for money laundering. The Law on amnesty of citizens and legal entities of the Republic of Tajikistan serves as the current anti-money laundering law. This law, however, prohibits the prosecution of Tajik natural and legal persons for property related money laundering 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/)

Article 179.1 of the Criminal Code criminalizes terrorist financing. Tajik authorities consider terrorist financing a "serious crime".

Know-your-customer rules: No

Banks and other institutions subject to regulation by the National Bank of Tajikistan (NBT) are required to identify their customers when opening accounts. There are no other customer due diligence (CDD) requirements.

Bank records retention: No

Suspicious transaction reporting: No

Financial institutions make no regular reports of transactions or other activity. In January 2009, the GOT formed a working group tasked with drafting an anti-money laundering/counter-terrorist financing (AML/CFT) bill and elaborating proposals for creating a financial intelligence unit. As a result of the working group activities, on October 20, 2009 the President of the Republic of Tajikistan signed Order No. 724 on creating a Financial Intelligence Unit under the National Bank of Tajikistan – the Financial Monitoring Department.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture:

Article 57 of the Criminal Code states that asset forfeiture is possible but the article also specifies exceptions. On March 20, 2008, the Tajik Parliament adopted the Law on Executive Proceedings that enables asset-seizure mechanisms.

Narcotics asset sharing authority: No

Cross-border currency transportation requirements:

In accordance with the Joint Order of the National Bank and the Ministry of State Revenues and Duties, travelers may depart with a maximum amount of $3,000 without registering it in the customs declaration. Tajik citizens can depart with amounts up to $10,000 with a customs declaration. When the amount exceeds $3,000, a foreigner must present documents of origin, customs declaration, source of money, provide reasons why he has the funds, justify where he is going to take it, and prove which bank gave him the funds. Travelers may enter Tajikistan with unlimited quantities of cash.

Cooperation with foreign governments:

The GOT has not adopted laws or regulations that ensure the availability of adequate records in connection with narcotics, terrorism, terrorist financing or other investigations. Tajikistan signed the Commonwealth of Independent States (CIS) Agreement on the Legal Assistance and Cooperation on Civil, Family and Criminal Cases of January 22, 1993, and is a member of the CIS Antiterrorism Center.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Jurisdiction in investigating financial crimes in Tajikistan is split between the Ministry of Interior Affairs, State Committee of National Security, and the Anti-Corruption Agency. These agencies are not adequately staffed and trained. In 2009, there were no arrests or prosecutions for money laundering or terrorist financing.

The "Law on Banking Activity" prevents disclosure of client and ownership information to bank supervisors and law enforcement authorities for domestic and offshore financial services companies.

There are severe obstacles in place to enforcing any laws in regards to financial crimes in Tajikistan because the country's financial institutions still rely on a paper-based record keeping system. This severely inhibits timely investigations on all matters related to financial crimes.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

Tajikistan and the U.S. have agreed to exchange records in connection with investigations and proceedings relating to narcotics, terrorism, terrorist financing and other serious criminal investigations, and negotiations are currently underway regarding specific law enforcement cooperation.

International agreements:

The GOT 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

Tajikistan is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a Financial Action Task Force-style regional body. Its most recent 2008 mutual evaluation report can be found here:

http://www.eurasiangroup.org/files/MERs%20-%20ENG/tajikistan.pdf

Recommendations:

The Government of Tajikistan (GOT) does not appear to be taking significant steps to seriously address money laundering and financial crime. The GOT should work closely with the EAG and enact and implement a new AML/CFT program that adheres to international standards. This will include enacting

the necessary legislation to provide for effective supervision and preventative measures for financial institutions and designated non-financial businesses and professions.

Tanzania

Tanzania is not an important regional financial center. Tanzania's location at the crossroads of southern, central and eastern Africa leaves it vulnerable to activities that generate illicit revenue, such as smuggling, and the trafficking of narcotics, arms, and humans. The major profit generating crimes in Tanzania include theft, robbery, corruption, smuggling of precious metals and stones, and drug trafficking. With only six percent of the population engaged in the formal financial sector, money laundering is more likely to occur in the informal non-bank sectors. Criminals have been known to use front companies, including hawaladars and bureaux de change, to launder funds. Real estate and used car businesses also appear to be particularly vulnerable. The use of front companies to launder money is especially common on the island of Zanzibar, where few federal regulations apply. Officials indicate that money laundering schemes in Zanzibar generally take the form of foreign investment in the tourist industry and bulk cash smuggling.

Offshore Center: No

Free Trade Zones: Yes

There are three free economic zones in Zanzibar and two free port zones. On the mainland there are four export processing zone industrial parks; three in Dar Es Salaam and one in Arusha. Tanzania intends to establish additional free trade zones at Tanga and Kigoma ports. There is no known evidence Tanzania's free trade zones (FTZs) are being used in trade-based money laundering schemes or by terrorist financiers. Companies and individuals who use the zones are registered with the Zanzibar Free Economic Zones Authority (ZAFREZA) or the mainland Export Processing Zone Authority.

Criminalizes narcotics money laundering: Yes

Money laundering is criminalized under section 71 of the Proceeds of Crime Act. However, Tanzanian authorities have indicated this provision has never been used in practice.

Criminalizes other money laundering, including terrorism-related:

Money laundering is also criminalized under the Anti-Money Laundering Act, 2006 (AMLA). The AMLA does not apply to the semi-autonomous archipelago of Zanzibar. Section 3 of the AMLA lists specific crimes as predicate offenses, to include trafficking in drugs, persons and arms; terrorism; racketeering; smuggling; counterfeiting; robbery; piracy; insider trading; hijacking; tax evasion; poaching, illegal fishing and mining, and environmental crimes. The AMLA does not cover all financial institutions and designated non-financial businesses and professions (DNFBPs) nor does it apply to financial institutions and DNFBPs operating in Zanzibar.

Criminalizes terrorist financing:

(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/)

Tanzania has criminalized terrorist financing. The main legislation pertaining to the financing of terrorism is as follows: The Prevention of Terrorism Act, 2002 (POTA); The AMLA; and, the Written Laws (Miscellaneous Amendments Act), 2007. However, neither the POTA nor the AMLA are in force in Zanzibar.

Know-your-customer rules:

Banks and other financial institutions are required to know, record, and report the identity of customers engaging in suspicious transactions, including the recording of large currency transactions.

Bank records retention:

Banks and other financial institutions are required to maintain records necessary to reconstruct significant transactions for a period of between five and ten years.

Suspicious transaction reporting:

Financial institutions are required to file suspicious transaction reports (STRs) with the central bank (BOT) and the financial intelligence unit (FIU). The following categories of DNFBPs are designated as reporting persons under the AMLA: accountants, real estate agents, dealers in precious stones, work of arts or metals; attorneys, notaries and other independent legal professionals and operators of gaming activities (including casinos). Generally, DNFBPs have not implemented anti-money laundering/counter-terrorist financing (AML/CFT) measures as required under the Act, and there have been no STRs filed by DNFBPs thus far. The FIU has disseminated five STRs to the Directorate of Criminal Investigations.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture:

Tanzania has enacted laws to enable asset seizure and forfeiture under judicial authority related to money laundering, drug trafficking, organized crime and terrorist financing. Proceeds must be derived from or used in connection with a serious offense, including money laundering and any predicate offense. Proceeds from sales of forfeited goods are added to a Consolidated Fund. Tanzanian law does not cover freezing of assets, only confiscation. The banking community cooperates with enforcement efforts to trace funds and seize bank accounts. The current legislation allows for both civil and criminal forfeiture. However, a comprehensive legal framework for freezing, seizing and confiscating the proceeds of crime is not enforceable in Zanzibar.

Narcotics asset sharing authority: No

The government is not currently engaged in bilateral or multilateral negotiations to enhance asset tracing, freezing and seizure.

Cross-border currency transportation requirements: No

The AMLA criminalizes cash smuggling and provides for reporting of inbound or outbound cash or negotiable instruments in an amount prescribed by the Minister in Regulations; however, no regulations or monetary threshold have yet been prescribed by the Minister, and at present there is no declaration/disclosure system in place. Money transfer companies such as Western Union require passports and vaguely defined "written documentation" justifying cross-border cash transfers.

Cooperation with foreign governments:

The FIU, police and banking supervisors are able to provide international cooperation to foreign counterparts. Under the AMLA, the FIU may exchange information with overseas FIUs and comparable bodies.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

The Tanzanian Police has a special unit that deals with financial crime and money laundering. Other enforcement entities engaged in financial crimes enforcement are the Prevention and Combating of Corruption Bureau and the Department of Public Prosecutions. Both staffing and training are inadequate for effective investigation and prosecution of financial crimes. During 2009, there have been no arrests, prosecutions or convictions for money laundering or terrorist financing.

Since neither the POTA nor the AMLA are in force in Zanzibar, STR reporting, know-your-customer procedures and record keeping requirements are not required of any institution operating in Zanzibar.

Tanzania's capacity and resources to trace and seize assets without undue delay are inadequate.

U.S.-related currency transactions:

The likely sources of illicit funds are Asia and the Middle East and, to a lesser extent, Europe. Such transactions rarely include significant amounts of U.S. currency.

Records exchange mechanism with U.S.:

Tanzania has no formal agreement with the United States government or a mechanism for exchange of records in connection with investigations and proceedings related to narcotics, all-source money laundering, terrorism and terrorist financing. Tanzania has cooperated with the United States in investigating and combating terrorism in the past, but not on specific financial crimes.

International agreements:

Tanzania 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

Tanzania is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force-style regional body, and hosts the Secretariat in Dar-Es-Salaam. Its most recent mutual evaluation can be found here:
http://www.esaamlg.org/userfiles/Tanzania_Mutual_Evaluation_Detail_Report.pdf

Recommendations:

The Government of Tanzania (GOT) has made improvements in its compliance with international AML/CFT standards. However, the GOT needs to take steps to ensure that it has a national AML/CFT legal framework, by bringing its legislation into force in Zanzibar. The GOT should focus its efforts on practical implementation of the AMLA, including dedicating the resources necessary to build an effective FIU. The FIU should continue its efforts to hire additional staff to ensure financial institutions are adequately supervised, to inform them of their reporting and record keeping responsibilities, and to train the financial sector to identify suspicious transactions. Tanzania should work to increase the level of awareness and understanding of money laundering issues in the financial, law enforcement and judicial areas and should allocate the necessary human, technical, and financial resources to implement its AML/CFT regime. Authorities should ensure the Prevention of Terrorism Act comports with international standards and the GOT implements all provisions in the law. The GOT should also improve its cross-border cash declaration regime. Tanzania should examine vulnerabilities it has not yet addressed, in particular the inherent vulnerabilities of alternative remittance systems and trade. The capacity of Tanzanian police and customs officials to recognize money laundering and value transfer methodologies used in the region should be raised.

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.

Timor-Leste

Timor-Leste is not a regional financial center. The Ministry of Finance estimates only 1.3 percent of Timorese regularly use banking facilities. Some smuggling occurs across the land border with Indonesia, mainly to avoid taxes or regulations. Narcotic proceeds are likely not a significant source of funding.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: No

A draft anti-money laundering (AML) bill has been temporarily withdrawn.

Criminalizes other money laundering, including terrorism-related: No

Criminalizes terrorist financing: No

Know-your-customer rules: No

Bank records retention: No

Suspicious transaction reporting: No

The draft AML law would create a financial intelligence unit.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture: No

The proposed law would allow for criminal and civil forfeiture.

Narcotics asset sharing authority: No

Cross-border currency transportation requirements: No

Cooperation with foreign governments:

No information available.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Timor-Leste does not have a well-developed formal financial sector.

The ability to monitor cross-border cash transportation is limited.

Timor-Leste has not circulated to its financial institutions the names of individuals and entities included on the UN 1267 sanctions committee's consolidated list.

U.S.-related currency transactions:

Financial institutions engage in currency transactions involving the U.S. dollar because Timor-Leste utilizes the U.S. dollar as its national currency. Narcotics trafficking proceeds, in dollars or otherwise, do not play a major role.

Records exchange mechanism with U.S.: None

International agreements:

Timor-Leste 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 - No
- the UN Convention against Corruption - Yes

Timor-Leste is not a member of a Financial Action Task Force-style regional body.

Recommendations:

The Government of Timor-Leste should adopt the proposed anti-money laundering-counter-terrorist financing bill. Once adopted, sufficient resources should be devoted to ensure its implementation. The GOTL should become a party to the 1988 UN Drug Convention and the UN International Convention for the Suppression of the Financing of Terrorism.

Togo

Togo's poor financial infrastructure makes it an unlikely venue for money laundering through its financial institutions. Its porous borders, however, make it a transshipment point in the regional and sub-regional trade in narcotics.

Offshore Center:

No information available.

Free Trade Zones:

No information available.

Criminalizes narcotics money laundering: Yes

Togo's 1998 drug law criminalizes narcotics-related money laundering.

Criminalizes other money laundering, including terrorism-related:

No information available.

Criminalizes terrorist financing: Yes

On August 28, 2009, the Government of Togo (GOT) ratified the Uniform Law against Terrorism Financing, which makes terrorist financing a criminal offense in Togo.

Know-your-customer rules:

Financial institutions are required to monitor and report monetary transactions above a threshold appropriate to the local economic situation, maintain records of such transactions, and supply them to government authorities on request. Due diligence legislation applies to bankers and other professionals.

Bank records retention:

See above.

Suspicious transaction reporting:

No information available.

Large currency transaction reporting:

All bank deposits over the equivalent of $11,000, along with customer identification information, must be reported to the Central Bank of West African States, which serves as Togo's central bank.

Narcotics asset seizure and forfeiture:

The GOT has the legal authority to seize assets associated with narcotics-trafficking.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements:

No information available.

Cooperation with foreign governments:

No information available.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

There have never been any arrests for money laundering.

On January 14, 2009, the GOT created a new national agency called Cellule Nationale de Traitement des Informations Financières (CENTIF). The mandate of the CENTIF, which falls under the Ministry of Security, is to specifically fight money laundering; however, as a new agency, it has yet to establish a track record.

The GOT has circulated to Togolese financial institutions the names of suspected terrorists and terrorist organizations listed on the UNSCR 1267 Sanctions Committee consolidated list and the list of Specially Designated Global Terrorists designated by the United States pursuant to Executive Order 13224.

U.S.-related currency transactions:

There are no indications that currency transactions in Mauritania involve 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.

Records exchange mechanism with U.S.:

No information available.

International agreements:

Togo 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

Togo is a member of the Intergovernmental Action Group against Money Laundering in West Africa, a Financial Action Task Force-style regional body. A mutual evaluation has been scheduled for early 2010. Once completed, it will be found here: http://www.giaba.org/index.php?type=c&id=24&mod=2&men=2

Recommendations:

If it has not already done so, the Government of Togo should criminalize money laundering for all serious crimes. The GOT should ensure the new CENTIF has adequate resources and authority to fulfill its responsibilities.

Tonga

Tonga is an archipelago located in the South Pacific, about two-thirds of the way from Hawaii to New Zealand. Tonga is neither a financial center nor an offshore jurisdiction. It has only three commercial banks. Remittances from Tongans living and working abroad are the largest source of hard currency earnings, followed by tourism. Tonga is not a major narcotics transit point, but in September 2009, Police seized a large amount of crystallized methamphetamine. The case is still under investigation. Tonga is deemed by local police authorities to be vulnerable to smuggling and money laundering due to inadequate border controls.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

Tonga's Money Laundering and Proceeds of Crime Act of 2000 (MLPCA) criminalizes money laundering. The amended Criminal Offenses (Amendment) Act 2002 criminalizes acts of terrorism; and

the amendments to the Money Laundering and Proceeds of Crime (Amendment) Act 2005 and the Transnational Crime Act 2005 both define "acts of terrorism." Tonga takes an "all serious crimes" approach to predicate offenses for money laundering.

Criminalizes terrorist financing: Yes

The MLPCA and the Transnational Crimes Act 2005 criminalize acts of terrorism and terrorist financing. Terrorist financing also is designated as a serious crime.

Know-your-customer rules:

Part II section 12 of the MLPCA requires a financial institution or cash dealer to take reasonable measures to satisfy itself as to the true identity of any applicant seeking to enter into a business relationship with it or to carry out a transaction or series of transactions.

Bank records retention: Yes

The MLPCA requires financial institutions and currency dealers to maintain records of all transactions of 10,000 Pa'anga (approximately $5,500) or more for at least five years.

Suspicious transaction reporting: Yes

Commercial banks and cash dealers are required to submit Financial Transaction Reports (FTRs) on suspicious transactions to the Transaction Reporting Unit (TRA), the financial intelligence unit (FIU) for Tonga. In 2009, no FTRs were submitted to the TRA. Since the reporting requirement was instituted in 2002, less than 20 FTRs have been filed.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture: Yes

Tongan law permits the police to seize assets suspected to be tainted property. After assets are seized, the Attorney General applies to the Supreme Court for a restraining order to prevent a defendant from disposing of the assets. The restraining order remains in force for six months or until it is discharged, revoked or varied; or a confiscation order or a pecuniary penalty order, as the case may be, is made in respect of property which is the subject of the order. However, there have been no asset seizures or forfeitures in Tonga.

Narcotics asset sharing authority: No

Cross-border currency transportation requirements:

Tonga has mandatory inbound and outbound cross-border currency declaration requirements for TOP 10,000 (approximately $5,200). However, the reporting requirements are not adequately enforced.

Cooperation with foreign governments:

Tonga has legislation that authorizes the Attorney General to enter into agreements with foreign governments for purposes of sharing information.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

The TRA has no operational or budgetary independence.

Many Tongans send remittances by setting up a bank account in the country where they are working and providing withdrawal privileges to relatives or friends in Tonga, such as by providing an ATM card. The National Reserve Bank (NRB) is reportedly attempting to monitor this practice.

Tonga's high level of remittances has resulted in a relatively high number of money transfer businesses. These are licensed by the Ministry of Labor, Commerce and Industries. The NRB is working on a

licensing framework that will enable the licensing of the money transfer businesses as foreign exchange dealers under the Foreign Exchange Control Act, bringing them under the supervision of the NRB.

U.S.-related currency transactions:

There are no indications that currency transactions in Tonga involving international narcotics trafficking proceeds 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.

Records exchange mechanism with U.S.:

There has not been occasion to exchange financial records; however, the working relationship with the United States is excellent.

International agreements:

Tonga 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

Tonga is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. A mutual evaluation was conducted by the APG in late 2009. Once completed, the report will be available here:
http://www.apgml.org/documents/default.aspx?DocumentCategoryID=17

Recommendations:

The Government of Tonga (GOT) should implement anti-money and counter-terrorist financing countermeasures that adhere to international standards. The TRA should be given operational and budgetary independence. The GOT should sign and ratify the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

Tunisia

Tunisia is not considered an important regional financial center. Tunisia has strict currency exchange controls which authorities believe mitigate the risk of international money laundering. There is a low level of crime in Tunisia. The primary domestic criminal activities that generate laundered funds are clandestine immigration, trafficking in stolen vehicles and narcotics.

Offshore Center: Yes

All offshore financial institutions are held to the same regulatory standards as onshore financial institutions. Offshore financial institutions undergo the same due diligence process as onshore banks and are licensed only after the Central Bank investigates their references and the Ministry of Finance approves their applications. Anonymous directors are not allowed. Tunisia currently has eight offshore banks and a considerable number of offshore international business companies. Offshore international business companies are subject to all regulatory requirements, except for tax requirements and currency convertibility restrictions. Bearer financial instruments or shares are strictly prohibited (Act No. 35 of 2000).

Free Trade Zones: Yes

Tunisia has two free trade zones, in Bizerte and Zarzis, with a limited number of companies manufacturing products for export. There are no offshore financial institutions located in either free trade zone.

Criminalizes narcotics money laundering: Yes

Tunisia's 1992 law (Law No. 1992-52) against narcotics trafficking includes provisions that contribute to combating money laundering. Under Articles 2 and 30 of Law No. 1992-52, anyone aiding in narcotics operations or the transfer of proceeds in connection with these operations, including financial institutions, can be prosecuted.

Criminalizes other money laundering, including terrorism-related: Yes

In December 2003, the Tunisian Parliament passed Law No. 2003-75, a comprehensive anti-money laundering/counter-terrorist financing (AML/CFT) law making it a crime to provide financial assistance or any other type of support to terrorist activities. Money laundering is punishable where false information is proffered relating to the illicit origin of property or income arising directly or indirectly from an offense. Money laundering is also defined as investing, depositing, transferring or safekeeping of property or income resulting from an offense. The law does not delineate specific crimes; rather it broadly states that money laundering related to "a crime or infraction" is illegal.

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 2009, the Tunisian legislature passed Law No. 2009-65 as an amendment to law 2003-75. The new law is intended to harmonize national legislation with UN AML/CFT resolutions.

Know-your-customer rules: Yes

Law 2003-75, as amended, imposes obligations on all financial institutions to gather full identifying information for personal and business accounts. There are no anonymous or numbered accounts allowed in Tunisia.

Bank records retention: Yes

All financial records and supporting documentation, in both paper and electronic form, must be maintained for ten years.

Suspicious transaction reporting: Yes

Under Law 2003-75, as amended, all institutions or intermediaries must report any suspicious transactions to the Tunisian Financial Analysis Commission, the Tunisian financial intelligence unit (FIU) which is located within the Central Bank. Law No. 2009-65 no longer mandates the automatic freezing of accounts subject to an STR, but rather instructs banks to allow the transaction so that authorities can trace the destination of the funds.

Large currency transaction reporting: Yes

Financial institutions are also required to report all transactions above 5,000 dinars (approximately $3,900).

Narcotics asset seizure and forfeiture:

The Tunisian penal code also allows for the sequestering, confiscation, or seizure of assets and property in certain situations, including narcotics trafficking and terrorist activities. The definition of assets is broad and covers financial or physical assets. Financial assets are traced by the Central Bank and Financial Analysis Commission, each of which has broad powers for investigating and seizing financial assets.

Narcotics asset sharing authority: No

Cross-border currency transportation requirements: No

There are no AML/CFT cross-border currency reporting requirements. The Tunisian dinar is not fully convertible and it is illegal to export dinars. Residents are generally prohibited from holding or exporting foreign currency except for certain purposes, such as travel or business, and are limited in the value of foreign currency that can be used for these purposes. The import and export of foreign exchange is regulated by Article 76 of Law No. 2003-75. Non-residents entering Tunisia with foreign currency or other instruments worth less than 25,000 dinars are required to declare the total amount if they wish to re-export or deposit more than 5,000 dinars (approximately $3,900). Non-residents do not need to declare currency exports under 5,000 dinars.

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:

Since the passage of Tunisia's 2003 Terrorism Law, approximately 1,000 Tunisians have been detained, charged, and/or convicted on terrorism-related charges. However, Tunisia has not had any money-laundering or terrorist financing prosecutions.

Banks report regularly receiving the US Government and United Nations 1267 Sanctions Committee freeze lists from the Central Bank. The Financial Analysis Commission reports that it has never discovered any accounts or assets belonging to a listed individual or entity.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

No information available.

International agreements:

Tunisia has bilateral agreements on criminal matters with 29 countries and is party to 12 international agreements on counter-terrorism. Tunisia has submitted its candidacy for membership to the Egmont group.

Tunisia 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

Tunisia is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here:
http://www.menafatf.org/images/UploadFiles/MENAFATF.7.07.E.P5R2%20_with%20response_.pdf

Recommendations:

The Government of Tunisia should continue to implement and enhance its AML/CFT regime. Since Tunisia has strict currency controls, in all likelihood informal remittance systems such as hawala are prevalent. Authorities should examine underground finance and its possible link to money laundering and extremist finance. Tunisia should become a party to 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.

Turkmenistan

Turkmenistan is not an important regional financial center. There are only five international banks and a small, underdeveloped financial sector. Foreign companies operate, but do not own, three hotels and two casinos in Turkmenistan, which under certain conditions could become vulnerable to financial fraud and used for money laundering. Turkmenistan exports billions of dollars worth of natural gas, relying heavily on a complex network of opaque Russian and Ukrainian energy firms, raising money laundering concerns. In addition, given Turkmenistan's shared border with Afghanistan, money laundering in the country also involves proceeds from illegal narcotics trafficking and trade, derived primarily from domestic criminal activities. Although there is no information on cash smuggling, gasoline and other commodities are smuggled routinely across the national borders. Since January 2009, the Government of Turkmenistan (GOT) redenominated its national currency, the Turkmen manat. One redenominated manat is equivalent to 5,000 old manats.

Offshore Center: No

Free Trade Zones: Yes

The current Law on Free Economic Zones (FEZs) in Turkmenistan, as amended in 1994, determines the legal regime for conducting business in these zones. There are ten FEZs in Turkmenistan: Mary-Bayramali, Okarem-Hazar (Cheleken), Turkmenabat-Seyidi, Baharly-Serdar, Dashoguz Airport, Ashgabat-Anau, Ashgabat-Abadan, Ashgabat International Airport, Serakhs, and Guneshli Turkmenistan near Anau. The zones were all created prior to 1998. All related enterprises are exempt from taxes on profits for the first three years of profitable operation. All goods and properties must be declared when imported into or exported from FEZs.

In May 2007, Turkmenistan introduced a National Tourism Zone (NTZ) "Awaza," heavily promoted by the President to encourage tourism development at a site on the Caspian Sea. Tax and other incentives are provided in legislation passed in October 2007, including amendments to the Tax Code to exempt construction and installation of tourist facilities in the NTZ from the Value Added Tax (VAT). Various services of tourist facilities, including catering and accommodation, are also VAT exempt. Income tax on accommodation and catering of tourist facilities will not be levied for the first 15 years.

Criminalizes narcotics money laundering: Yes

The Turkmen Criminal Code of June 12, 1997, Article 242 (Legalization of illegally obtained funds or other property) prohibits money laundering.

Criminalizes other money laundering, including terrorism-related: Yes

In May 2009, the GOT adopted a new law, "On Combating the Legalization of Criminal Proceeds and the Financing of Terrorism" (AML/CFT Law), which went into effect in September 2009. The new law further defines such terms as "criminal proceeds" and "legalization of criminal proceeds," gives the definition of a "property" and a "suspicion operation or transaction," and defines the reporting entities.

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 Criminal Code of Turkmenistan determines criminal liability for crimes of a terrorist nature, such as article 130, 170, part 1 article 176, 271-273. The new AML/CFT Law clearly defines the financing of terrorism and measures directed at combating it.

Know-your-customer rules:

Presidential Resolution No. 0210/02-2 of October 17, 1995 requires any entity making an electronic transfer of funds to an account abroad to provide documentation establishing the source of the money. The AML/CFT Law includes customer identification requirements and specifies instances when they should be applied, but implementation efforts are at the beginning stages.

Bank records retention: Yes

The new AML/CFT Law requires all reporting entities to store information and records relating to transactions, the identification of a client and business relationships for at least five years from the time a transaction is completed or following the closure of an account or termination of a business relationship.

Suspicious transaction reporting:

The AML/CFT Law establishes an "authorized government body" as the entity empowered to collect, analyze and disseminate information about suspicious transactions and operations. In January 2010 the President of Turkmenistan signed a Decree to establish the Office of Financial Monitoring, the financial intelligence unit (FIU), under the Ministry of Finance. Under the AML/CFT Law, transactions and operations are subject to mandatory disclosure if their amounts in foreign and national currency are equal to or exceed $5,000, whenever such a transaction arouses suspicion. The AML/CFT Law requires the following entities to report any suspicious transactions: banks and other financial institutions; insurance and leasing companies; pawnshops; securities dealers and commodity exchanges; currency exchanges; gambling organizers; real estate intermediaries and property agents; mail and telegraphy organizations providing money transfer services and other settlements and/or payments; sellers of gems and precious metals when performing cash operations with their clients; auctioneers; attorneys, notary officers, legal advisers and accountants; and financial consultant services. The STR reporting regime has not been implemented. The FIU is not operational, and to date no entities have filed suspicious transaction reports.

Large currency transaction reporting:

Transactions above the equivalent of $5,000 must be reported if they involve the purchase or sale of foreign currency; exchange of bank notes of one denomination to another denomination; cash payments for investments, leases, insurance premiums, real estate, lottery prizes, or gaming; cash flows of charitable foundations; the placing of securities or valuable items at a pawnshop; and finally, money transfer(s) effected at the client's instruction.

Narcotics asset seizure and forfeiture:

Presidential Decree No. 6097 of January 24, 2003, authorizes asset seizure and confiscation. Turkmenistan's Antiterrorism Law of August 15, 2003, as well as the AML/CFT Law, authorizes the GOT to freeze the assets of individuals who commit or attempt to commit terrorist acts; who contribute to such acts; or are under the ownership or control of, or acting on behalf of terrorists or terrorist organizations. The GOT does not have an independent national system or mechanism for freezing terrorist assets. There are no reports that authorities identified, froze, seized, and forfeited assets related to the terrorist financing in 2009.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: Yes

The statutory requirements for limiting or monitoring the cross-border transportation of currency and monetary instruments are stipulated in the Turkmenistan Customs Code. Customs declaration forms are used at border crossings for cross-border currency reporting requirements for both inbound and outbound currency.

Cooperation with foreign governments:

Article 7 of the AML/CFT Law states the GOT shall cooperate with foreign states on money laundering and terrorist financing investigations and prosecutions. The second paragraph of the article states the GOT shall furnish the competent bodies of foreign states with appropriate information based on their requests, or at their own initiative, based on the international treaties of Turkmenistan, upon the consent of the President of Turkmenistan. Turkmen counter-terrorism laws require Turkmenistan to cooperate with foreign states and international organizations in terrorism matters and to render assistance to other states in criminal investigations and prosecutions of individuals involved in financing or supporting terrorist activities. The absence of an FIU limits Turkmenistan's ability to share financial information related to money laundering through the Egmont Group of FIUs.

U.S. or international sanctions or penalties:

While Turkmenistan is not subject to U.S. or international targeted financial measures, it was the subject of a Financial Action Task Force (FATF) Statement in February 2009, expressing concern that the serious deficiencies in its AML/CFT regime constitute a money laundering/terrorist financing vulnerability in the international financial system and alerting all countries to take appropriate measures to address this risk.

The U.S. Financial Crimes Enforcement Network (FinCEN) issued advisories in July and October 2009 to alert financial institutions to statements by the FATF citing deficiencies in the AML/CFT system of Turkmenistan.

Enforcement and implementation issues and comments:

The U.S. Embassy regularly provides terrorist financing information regarding UN and U.S.-designated individuals and organizations subject to asset forfeiture to the Ministry of Foreign Affairs (MFA). The Ministry of Foreign Affairs reports it distributes such information to the Ministry of Finance, the Ministry of National Security, the Ministry of Internal Affairs, and other concerned agencies. It is not clear whether financial institutions receive the information.

There have been no reports of arrests, prosecutions or convictions for money laundering or terrorist financing since January 1, 2009.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

FinCEN does not exchange information with Turkmenistan.

International agreements:

The Prosecutor General's Office has concluded interagency agreements on legal issues and legal assistance with the Prosecutor General's Offices of other Commonwealth of Independent States (CIS) countries.

Turkmenistan 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

Turkmenistan is not a member of any FATF-style regional body. It is an observer of the Eurasian Group on Combating Money Laundering and Financing of Terrorism but has not pursued full membership.

Recommendations:

While Turkmenistan has made recent progress in adopting AML/CFT legislation and secondary legislation that aims to implement the AML/CFT Law, deficiencies remain in Turkmenistan's AML/CFT

regime. The Government of Turkmenistan should take the necessary actions to fully implement its new AML/CFT Law. It should provide sufficient autonomy, resources and capacity to its new FIU to allow it to function effectively and ensure that all covered entities are aware of their responsibilities under the law, including the requirement to report suspicious transactions. Likewise, it should provide the necessary training and capacity building to government entities with supervisory, investigative and prosecutorial responsibilities. If it does not already do so, the GOT also should ensure all relevant financial institutions receive the lists of designated terrorists and terrorist organizations. Turkmenistan should become a member of a FATF-style regional body.

Uganda

Uganda is not a major hub for narcotics trafficking and terrorist financing, but it is a growing site for money laundering. Ugandan efforts to combat money laundering are hampered by the continued absence of comprehensive anti-money laundering legislation, severe resource constraints, and internal government corruption. Counterfeit US currency is a recurring problem. Uganda's inability to monitor formal and informal financial transactions, particularly along porous borders with Sudan, Kenya, Tanzania, and the Democratic Republic of Congo, render Uganda vulnerable to more advanced money laundering activities and potential terrorist financing. Money laundering in Uganda derives from a wide range of activities, including government corruption, misappropriation of public funds and foreign assistance, abuse of the public procurement process, as well as from abuse of religious charities, land speculation, car theft, arms and natural resource smuggling, and exchange control violations. Uganda's active informal economy also provides a fertile environment for money laundering. Uganda's thriving black market for smuggled and/or counterfeit goods takes advantage of porous borders and lack of customs and tax collection enforcement capacity.

Offshore Center: No

Free Trade Zones:

The Special Economic Zones Bill of 2002 authorized the creation of export processing zones (EPZs) and free trade areas (FTAs) within Uganda. However, Uganda has not created any EPZs or FTAs despite a $24 million credit from the World Bank to do so. The Uganda Investment Authority (UIA) is in the process of establishing an industrial business park at Namanve, east of Kampala, and hopes to create EPZs and FTAs within this area. However, it lacks a legal framework to manage them. This framework is articulated in the draft Free Trade Zones Bill currently undergoing Cabinet review. The UIA will regulate operators in the zones until a Uganda Free Zones Authority is established.

Criminalizes narcotics money laundering: Yes

In 2001, the Government of Uganda (GOU) criminalized narcotics-related money laundering.

Criminalizes other money laundering, including terrorism-related: No

Uganda's Financial Action Task Force (FATF), comprised of multiple Ugandan government ministries and chaired by the Bank of Uganda (BOU), drafted a comprehensive anti-money laundering (AML) bill in 2003, and Cabinet approved the bill in January 2005. In 2009, the bill was submitted to Parliament. Citing "procedural concerns," the Finance Ministry drafted several amendments to the bill in consultation with other ministries and the BOU. Some attribute the delay in passing the AML bill to corrupt government officials who may be exploiting loopholes the AML bill is designed to close.

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 Anti-Terrorism Act (ATA) criminalizes contributing, soliciting, controlling, or managing funds used to support terrorism or terrorist organizations. The BOU has the power to freeze the assets

of any entity designated as a terrorist organization, and also may require a commercial bank to freeze its customer's assets in response to an outside request pursuant to a legally binding international convention that Uganda has signed. The BOU has yet to freeze any assets under the ATA.

Know-your-customer rules: Yes

From 2002 to 2004, the BOU issued guidelines to financial institutions, foreign exchange bureaus, and local insurance companies stipulating that they comply with know-your-customer principles such as instituting internal control measures and reporting suspicious activities to the BOU for further investigation.

Bank records retention:

No information available.

Suspicious transaction reporting: No

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture: No

There are some legislative provisions for seizure and confiscation powers for corruption cases, domestic terrorism and drug crimes. The Financial Institutions Act of 2004 (S.8) provides for freezing of proceeds of crime but does not deal with forfeiture.

Narcotics asset sharing authority: No

Cross-border currency transportation requirements: No

The BOU attempts to monitor cross-border financial transactions in conjunction with customs officials at some border posts but is limited by severe resource constraints.

Cooperation with foreign governments:

Uganda is an active member of the International Criminal Police Organization (INTERPOL), and hosts the headquarters of the United National African Institute for the Prevention of Crime and Treatment of Offenders (UNAFRI).

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Without AML laws, Uganda cannot create an operational financial intelligence unit (FIU) or pursue other anti-money laundering measures.

The Criminal Investigations Department (CID) of the Ugandan Police Force is responsible for investigating financial crimes. However, until Parliament approves the AML legislation, the CID maintains only limited authority to investigate and prosecute money laundering violations. The CID is understaffed and lacks adequate training in financial investigation techniques related to AML and terrorist financing. Internal corruption within the CID also hampers police investigative capacity. According to GOU officials, criminals have access to technology that is more sophisticated than what is available to police investigators. The Inspectorate General of Government has the power to investigate cases brought to it by the public, but in practice has not investigated AML and terrorist financing cases.

Many Ugandans working abroad use an informal cash-based remittance system to send money to their families. Annual remittances are Uganda's largest single source of foreign currency and totaled $414 million in 2008/2009, down sharply from $645 million in 2006/2007. Remittances are used primarily for consumption purchases.

Counterfeit US currency is a consistent problem in Uganda. Counterfeit US currency arrives from, and transits through, Uganda to the Democratic Republic of Congo, Kenya, and Dubai. In one

common counterfeit scheme, counterfeiters sell fake US currency marked or "masked" by black ink or a special stamp. The seller offers this currency at a discount because of the markings, and claims the bills can be exchanged or "unmasked" at a U.S. embassy or bank. In mid-2008 in eastern Uganda, police arrested an individual in possession of more than $1 million in counterfeit US dollars. Highlighting Uganda's unwillingness to crack down on counterfeiters in cases involving well-connected individuals, police subsequently released the individual from custody, and he later disappeared.

In 2004, the BOU circulated to financial institutions the list of individuals and entities included on the UNSCR 1267 Sanctions Committee's consolidated list.

U.S.-related currency transactions:

The extensive use of cash - US dollars and Ugandan shillings - instead of other financial instruments hinders the monitoring of financial transactions. The US dollar is widely used in both the licit and underground economies.

Records exchange mechanism with U.S.:

Uganda and the United States do not have formal agreements to facilitate the exchange of records in connection with narcotics and money laundering crimes. Nevertheless, Ugandan authorities have cooperated with U.S. law enforcement efforts in the past.

International agreements:

Uganda 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

Uganda is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation report can be found here: http://www.esaamlg.org/userfiles/UGANDA_MER1.pdf

Recommendations:

The Government of Uganda (GOU) should pass the anti-money laundering bill now pending in Parliament to provide Uganda with comprehensive anti-money laundering legislation that meets international standards and to allow it to establish a financial intelligence unit. Uganda also should pass pending whistleblower legislation. Other challenges include informing the public about money laundering, creating infrastructure to implement anti-money laundering guidelines, and seeking the cooperation of financial institutions and other stakeholders. The GOU should also continue to seek out training opportunities for its bankers, police investigators, and prosecutors to improve awareness of money laundering schemes. Uganda should become a party to the UN Convention for the Suppression of the Financing of Terrorism and the UN Convention against Transnational Organized Crime.

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.

Vanuatu

The Pacific island nation of Vanuatu is a developing economy closely tied to the economies of Australia and New Zealand. Vanuatu has historically maintained strict bank secrecy provisions that have prevented law enforcement agencies from identifying the beneficial owners of offshore entities registered in the sector, making its offshore sector vulnerable to money laundering. Due to allegations of money laundering and in response to international pressure, the Government of Vanuatu (GOV) strengthened domestic and offshore financial regulation.

Offshore Center: Yes

The Reserve Bank of Vanuatu (RBV) regulates the offshore banking sector that includes approximately eight international banks and 3,600 international business companies (IBCs), as well as offshore trusts and captive insurance companies. Under the International Banking Act No. 4 of 2002, regulatory agencies in Vanuatu instituted stricter procedures for issuance of offshore banking licenses and continue to review the status of previously issued licenses. All offshore banks registered in Vanuatu must have a physical presence in Vanuatu, and management, directors, and employees must be in residence.

IBCs are registered with the Vanuatu Financial Services Commission (VFSC). IBCs traditionally could be registered using bearer shares, shielding the identity and assets of beneficial owners of these entities. Section 125 of the International Companies Act No. 31 of 1992 (ICA) provided a strict secrecy provision for information disclosure related to shareholders, beneficial ownership, and the management and affairs of IBCs registered in Vanuatu. This provision had been used by the industry to decline information requests made by the Vanuatu Financial Intelligence Unit (VFIU). However, section 17(3) of the amended Financial Transaction Reporting Act (FTRA) provides for an override of section 125 of the ICA. Moreover, the International Companies (Amendment) Act No. 45 of 2006 revises the regime governing IBC operations. Ministerial Order No. 15 of 2007 creates a Guideline of Custody of Bearer Shares, which immobilizes bearer shares and requires the identification of their custodians.

Free Trade Zones:

No information available.

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

The Serious Offenses (Confiscation of Proceeds) Act 1989 criminalizes the laundering of proceeds from all serious crimes and provides for seizure of criminal assets and confiscation after a conviction. The Proceeds of Crime Act 2002 (POCA) retains the criminalization of the laundering of proceeds from all serious crimes and criminalizes the financing of terrorism.

Criminalizes terrorist financing: Yes

The Counter-Terrorism and Transnational Organized Crime Act (CTTOCA) No. 29 of 2005 came into force in February 2006. The aim of the Act is to implement UN Security Council Resolutions and Conventions dealing with terrorism and transnational organized crime, to prevent terrorists from operating or receiving assistance through financial resources in Vanuatu, and to criminalize human trafficking and smuggling. Terrorist financing is criminalized under section 6 of the CTTOCA. Section 7 of the CTTOCA makes it an offense to knowingly provide support or services, directly or indirectly, to, or for the benefit of, a terrorist group.

Know-your-customer rules: Yes

The financial institutions listed under Section 2 of the FTRA must identify and verify the identity of customers opening an account or entering into a business relationship with the financial institution, or when conducting an an electronic funds transfer of any amount or an occasional transaction exceeding VT 1 million (approximately $8,000).

Bank records retention: Yes

FTRA amendments mandate that the nature of the transaction, the amount of the transaction, the currency in which it was denominated, the date the transaction was conducted, and the parties to the transaction be maintained by covered entities for a period of six years after the completion of the transaction.

Suspicious transaction reporting: Yes

All financial institutions, both domestic and offshore, are required to report suspicious transactions. The amended FTRA defines financial institutions to include casinos licensed under the Casino Control Act No.6 of 1993, lawyers, notaries, accountants, trust and company service providers, car dealers, and real estate agencies. The VFIU receives suspicious transaction reports (STRs) and distributes them to the Public Prosecutor's Office, the Reserve Bank of Vanuatu, the Vanuatu Police Force, and the Vanuatu Financial Services Commission.

Large currency transaction reporting: Yes

Financial institutions are required to file currency transaction reports (CTRs) for any single transaction in excess of VT 1,000,000, or its equivalent in a foreign currency, and wire transfers into and out of Vanuatu in excess of VT 1,000,000 (approximately $10,200).

Narcotics asset seizure and forfeiture:

Vanuatu has a comprehensive legal framework for confiscating, freezing and seizing the proceeds of crime. Section 15 of the POCA provides for forfeiture orders to be made against instrumentalities or proceeds of crime, upon a person being convicted of a serious offense. This covers predicate offenses including money laundering and terrorist financing. However, the structural framework for implementing this legislative power is seriously compromised by a lack of coordination among responsible agencies as well as general unfamiliarity with the powers provided under the legislation. Vanuatu has no records or statistics of any proceeds having been seized or confiscated.

Narcotics asset sharing authority:

Section 42(3) of the Mutual Assistance in Criminal Matters Act 2002 (MACMA) authorizes the Attorney-General to enter into an arrangement with a foreign country to share with that country the amount

forfeited in respect of a registered foreign forfeiture order or amount paid under a registered foreign pecuniary penalty order.

Cross-border currency transportation requirements: Yes

The Proceeds of Crime Act No. 30 of 2005 through its new Section 74A requires all incoming and outgoing passengers to declare to the Department of Customs cash in their possession exceeding VT 1,000,000 (approximately $10,200).

Cooperation with foreign governments:

The MACMA facilitates the provision of international assistance in criminal matters, including the taking of evidence, search and seizure proceedings, forfeiture or confiscation of property, and restraints on property that may be subject to forfeiture or seizure. Vanuatu does not recognize or enforce foreign non-criminal confiscation orders. The Attorney General possesses the authority to grant requests for assistance, and may require government agencies to assist in the collection of information pursuant to the request. The Extradition Act of 2002 includes money laundering within the scope of extraditable offenses.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

A financial institution must immediately freeze the account of a terrorist entity; however, there is a lack of coordination and communication between the relevant government agencies in terms of identifying terrorist entities as designated in the UNSCRs and distributing such information.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

The Vanuatu FIU is able to exchange information with the Financial Crimes Enforcement Network.

International agreements:

Vanuatu 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

Vanuatu is a member of the Commonwealth Secretariat and the Pacific Island Forum. Vanuatu also is a member of the Asia/Pacific Group on Money Laundering, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here: http://www.apgml.org/documents/docs/17/Vanuatu%20ME2%20_Final_.pdf

Recommendations:

The Government of Vanuatu (GOV) should implement all the provisions of its Proceeds of Crime Act and enact all additional legislation that is necessary to bring both its onshore and offshore financial sectors into compliance with international standards. The GOV should also establish a viable asset forfeiture regime and circulate the updated UNSCR 1267 Sanctions Committee updated list of designated terrorist entities. The GOV should continue to initiate outreach to all reporting institutions regarding CDD obligations, as well as establish legislative requirements for financial institutions to have policies and procedures to address risks arising from new or developing technologies and non-face-to-face

businesses in particular internet accounts. Vanuatu should become a party to the UN Convention against Corruption.

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.

Vietnam

Vietnam is not an important regional financial center, but is the site of significant money laundering activities. Vietnam remains a largely cash-based economy and both US dollars and gold are widely used as a means of exchange and of stored value. The main sources of illicit funds in Vietnam are fraud, gambling, prostitution, trafficking and counterfeiting of fake goods, corruption and trafficking in narcotics, weapons, and women and children. Remittances from the proceeds of narcotics trafficking in Canada and the United States are also a significant source of money laundering as are narcotics proceeds attributed to Vietnam's role as a transit country.

The Vietnamese banking sector is in transition from a state-owned to a partially privatized industry. At present, approximately 50 percent of the assets of the banking system are held by state-owned commercial banks that allocate much of the available credit to state-owned enterprises. Almost all trade and investment receipts and expenditures are processed by the banking system, but neither trade nor investment transactions are monitored effectively. As a result, the banking system could be used for money laundering either through over- or under-invoicing exports or imports or through phony investment transactions.

Offshore Center: No

Free Trade Zones: No

Criminalizes narcotics money laundering: Yes

Article 251 of the Penal Code defines the money laundering offense. Article 250 defines the offense of harboring (acquiring, concealing, etc.) or consuming property obtained from the commission of crime by others. Covered acts under the article include some forms of money-laundering. While there have been many convictions under Article 250, such convictions have not involved money laundering, but instead relate to harboring property from crimes of others. Article 251 does not meet current international standards; among other weaknesses, the law requires a very high burden of proof (essentially, a confession) to pursue money laundering allegations, so prosecutions are non-existent and international cooperation is extremely difficult. The 2001 Law on Drug Prevention prohibits the "legalizing" of monies and/or property acquired by committing drug offenses; and, it gives the Ministry of Public

Security's specialized counter-narcotics agency the authority to require disclosure of financial and banking records when there is a suspected violation of the law.

Criminalizes other money laundering, including terrorism-related: Yes

Revisions to anti-money laundering (AML) provisions of the Penal Code were approved by the National Assembly in June 2009, and the amended provisions will take effect January 1, 2010. Article 251 was revised, specifically defining "money laundering crime" as an independent offense.

Criminalizes terrorist financing: Yes

In June 2009 Article 230(b) was added to the Penal Code, for the first time defining and criminalizing terrorist finance. However, Vietnam has not criminalized terrorist financing as an autonomous offense.

Know-your-customer rules: Yes

AML Decree 74 on Preventing and Combating of Money Laundering (AML Decree 74) covers banks and non-bank financial institutions and prescribes the contents of customer identification and the collection of certain customer details and documents. It does not explicitly require that financial institutions verify a customer's identity. Clause 4 requires financial institutions to undertake some verification measures but only if the financial institution becomes "suspicious."

Bank records retention: Yes

Banks are required to maintain records for seven years or more.

Suspicious transaction reporting: Yes

Suspicious transaction reporting (STR) obligations are specified in AML Decree 74 and were introduced in 2006. However, at present only credit institutions are subject to STR reporting requirements. Other non-bank financial institutions such as money changers, remittance agents, insurance, and securities dealers are not subject to STR reporting obligations. The Anti-Money Laundering Information Center (AMLIC) served as Vietnam's financial intelligence unit (FIU). In July 2009, the State Bank of Vietnam (SBV) changed its organizational structure and the AMLIC became the Anti-Money Laundering Department (AMLD) of the SBV. The AMLD receives and processes financial information required by the Decree. The AMLD received 58 STRs from 2006-2008 and referred 19 STRs to law enforcement for investigation, a very low reporting ratio given the number of reporting institutions. Figures for 2009 are not available.

Large currency transaction reporting: Yes

Vietnam is primarily a cash economy. Large cash transactions are still common. In November 2009, the SBV signed Circular No. 22/2009/TT-NHNN to implement AML Decree 74, providing for mandatory filing of large currency transaction reports (CTRs). According to the circular, credit institutions will have to report to the Financial Supervision Agency all transactions in cash, gold, and foreign currencies of individuals and organizations valued above VND 200 million per day, or any cash deposits or withdrawals of individuals above VND 500 million per day.

Narcotics asset seizure and forfeiture:

Under existing legislation, there are provisions for seizing assets linked to drug trafficking. In the course of its drug investigations, the Ministry of Public Security (MPS) has seized vehicles, property and cash. Final confiscation requires a court finding. Reportedly, MPS can notify a bank that an account is "seized" and that is sufficient to have the account frozen.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: Yes

Foreign currency (including traveler's checks) in excess of $7,000 and gold of more than 300 grams must be declared at customs upon arrival and departure. There is no limitation on either the export or import of foreign currency provided that all currency in excess of $7,000 (or its equivalent in other foreign currencies) is declared upon arrival and departure, and supported by appropriate documentation. If excess cash is not declared, it is confiscated at the port of entry/exit.

Cooperation with foreign governments:

Vietnam's laws, and in particular the Law on Mutual Legal Assistance, allow for cooperation with foreign jurisdictions based on the principal of mutual reciprocity. However, Vietnam's lack of laws for identifying, tracing, freezing, seizing, and confiscating the proceeds of crime hinder its full cooperation in many instances. The Ministry of Public Security (MPS) is responsible for negotiating and concluding international treaties on judicial assistance, cooperation and extradition in the prevention and combat of money laundering related offenses.

From 2008 - 2009, DEA referred five money laundering investigations to MPS involving drug trafficking organizations which were laundering hundreds of thousands in US currency derived from drug proceeds. In all five investigations, illegal drug proceeds were being remitted from the US to Vietnam. While DEA has proposed various investigative techniques and offered support to MPS to further develop these investigations in order to help identify and prosecute individuals in both the US and Vietnam, to date MPS has not provided DEA with any information in the referred investigations.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

Official inbound remittances are estimated at approximately $2.8 billion for the first six months of 2009, and approximately $6.8 billion for the year. Financial industry experts believe that actual remittances may be as much as double the official figures. These amounts are generally transmitted by wire and while officially recorded, there is no reliable information on either the source or the recipients of these funds. Additionally, there is evidence that large amounts of cash are hand carried into Vietnam. The Government of Vietnam (GOV) does not require any explanation of the source or intended use of funds brought into the country in this way.

A form of informal value transfer service widely used to transfer funds within Vietnam often operates through domestic jewelry and gold shops. Although covered by AML Decree 74, these informal transmitters have not been brought under regulation or supervision.

The DEA is engaged in a number of investigations targeting significant ecstasy and marijuana trafficking organizations, composed primarily of Vietnamese residents and naturalized citizens in the United States and Canada. These drug trafficking networks are capable of laundering tens of millions of dollars per month back to Vietnam, either through wire transfers to Vietnamese bank and remittance accounts or through the smuggling of bulk amounts of US currency and gold into Vietnam. It is suspected that the majority of the money is derived from criminal activity. Law enforcement agencies in Australia and the United Kingdom have also tracked large transfers of drug profits back to Vietnam.

The MPS is responsible for investigating money laundering related offenses. There is no information available from MPS on investigations, arrests, and prosecutions for money laundering or terrorist financing.

U.S.-related currency transactions:

US dollars are widely used as a means of exchange. There is a thriving black market for US currency.

Records exchange mechanism with U.S.:

MPS signed a nonbinding Memorandum of Understanding (MOU) with U.S. Drug Enforcement Administration (DEA) in 2006 to strengthen law enforcement cooperation in combating transnational

drug-related crimes, including money laundering, but claims it is unable to provide such information due to constraints within the Vietnamese legal system.

International agreements:

Vietnam 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

Vietnam is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. The results of its most recent mutual evaluation can be found here: http://www.apgml.org/documents/docs/17/Vietnam%20ME1.pdf

Recommendations:

The Government of Vietnam should promulgate all necessary regulations to fully implement its 2005 Decree on the Prevention and Combating of Money Laundering. Vietnam should ratify the UN Conventions against Transnational Organized Crime and Corruption. Vietnamese law enforcement authorities should be provided with the necessary resources and capacity to investigate money laundering, trade fraud, alternative remittance systems, and other financial crimes in Vietnam's shadow economy. The reorganized AMLD should be equipped with an electronic information reporting system to enable it to effectively collect, store and analyze financial transactions. Vietnam should continue to take those additional steps necessary to ensure its anti-money laundering/counter-terrorist financing regime comports with international standards.

Yemen

The financial system in Yemen is not well developed, and the extent of money laundering is not known. Yemen remains relatively isolated from the global financial community. Alternative remittance systems, such as hawala, are not subject to scrutiny and are vulnerable to money laundering and other financial abuses--including possible terrorist financing. Yemen has a large underground economy due, in part, to the profitability of the smuggling of trade goods and contraband. The use of qat, a recreational drug produced from a bush grown in parts of East Africa and Arabia, is common in Yemen, and there have been a number of investigations of qat being smuggled from Yemen and East Africa into the United States with profits laundered and repatriated via hawala networks. Smuggling and piracy are rampant along Yemen's sea border with Oman, across the Red Sea from the Horn of Africa, and along the land border with Saudi Arabia in the North.

Offshore Center: No

Free Trade Zones: Yes

Yemen has one free trade zone (FTZ) in the port city of Aden. Identification requirements within the FTZs are enforced. For example, truckers must file the necessary paperwork in relevant trucking company offices and must wear ID badges. FTZ employees must undergo background checks by police, the Customs Authority and employers. There is no evidence that the FTZ is being used for trade-based money laundering or terrorist financing schemes.

Criminalizes narcotics money laundering: Yes

On December 29, 2009, Yemen's Parliament passed a law regarding Anti-Money Laundering (AML) and Terrorism Funding. On January 17, 2010, the law acquired presidential approval, becoming Law No. 1 of 2010. Pending in parliamentary committee since November 2007, the law represents a major step forward in criminalizing money laundering and terrorist financing, and institutionalizing the ability of the

Yemeni government to combat these crimes. Law 1 of 2010 represents more comprehensive anti-money laundering and counter-terrorist financing legislation to accommodate international standards.

Criminalizes other money laundering, including terrorism-related: Yes

Law No. 1 of 2010 replaces previous AML legislation, Law No. 35 of 2003, which criminalized money laundering for a wide range of crimes, including narcotics offenses, kidnapping, embezzlement, bribery, fraud, tax evasion, illegal arms trading, and monetary theft. Law 1 of 2010 expands the types of financial institutions that the Yemeni government will monitor to include hawaladars, jewelry shops, lawyers' associations, and real estate firms.

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 1 of 2010 criminalizes terrorist funding for acts of violence or threatening violence, spreading terror, inflicting harm, risking lives, inflicting damage, and jeopardizing natural resources. It also characterizes terrorist funding as any act that represents a crime under conventions that the Yemeni government has ratified and any act that represents a crime in the anti-brigandage and kidnapping law.

Know-your-customer rules: Yes

The Central Bank of Yemen (CBY) issued Circular 22008 in April 2002, instructing financial institutions to positively identify the place of residence of all persons and businesses that establish relationships with them. The circular also requires a bank to verify the identity of non-accountholders that wish to transfer more than the equivalent of $10,000. The same provision applies to beneficiaries of such transfers. The circular also prohibits inbound and out-bound money transfers of more than the equivalent of $10,000 without prior permission from the CBY, although this requirement is not strictly enforced. The due diligence process, however, is limited in most financial institutions, particularly non-banking entities, to customer identification. Little attention is paid to account activities or the size of the account.

Bank records retention: Yes

Banks, financial institutions, and precious metals and gem dealers are obligated to keep records of transactions for up to five years.

Suspicious transaction reporting: Yes

Obligated entities must submit suspicious transaction reports (STRs) to the Anti-Money Laundering Information Unit (AMLIU), which acts as the country's financial intelligence unit (FIU). The AMLIU reports to the National Anti-Money Laundering Committee (NAMLC). Since 2004, only 25 STRs have been filed with the AMLIU, with a few forwarded to the Office of the Public Prosecutor for suspected money laundering. Of the 25 STRs, only three have been transferred to the courts for prosecution – all in 2009.

Large currency transaction reporting:

No information available.

Narcotics asset seizure and forfeiture: Yes

The Public Prosecutor may ask the competent court to take provisional measures and procedures, including the seizure of funds and freezing of accounts related to the predicate offense. A judge must order the forfeiture of items involved in or proceeds from the crime for which the defendant was convicted. Forfeiture is available for all crimes and extends to funds and property. In some instances, the courts can order real property, such as a dwelling, to be closed for one year before the owner may use it again. The courts have yet to order the forfeiture of any property.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: No

Yemen has no cross-border cash declarations or disclosure requirements. Customs inspectors do file currency declaration forms if funds are discovered.

Cooperation with foreign governments:

There are no known legal impediments for Yemeni cooperation with foreign jurisdictions in financial crimes and terrorist financing enforcement; however, in practice such cooperation is minimal. There is not a clear and efficient mechanism to implement in a timely manner requests seeking mutual legal assistance.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

There are approximately 448 registered money exchange businesses in Yemen, which serve primarily as currency exchangers in addition to performing funds transfer services. Money transfer businesses are required to register with the CBY and can open offices at multiple locations. CBY has not performed examinations of the money exchange businesses for anti-money laundering/counter-terrorist financing (AML/CFT) compliance.

The AMLIU has only a few employees and uses the services of field inspectors from the CBY's Banking Supervision Department for some of the FIU duties. The AMLIU has no database and is not networked to other government data systems.

In 2006, the CBY began issuing a circular every three months containing an updated list of persons and entities belonging to al-Qaida and the Taliban. Since the February 2004 addition of Yemeni Sheikh Abdul Majid Zindani to the UNSCR 1267 Sanctions Committee's consolidated list, however, the Yemeni government has made no known attempt to enforce the sanctions and freeze his assets. There is no information on whether Yemeni authorities have identified, frozen, seized, or forfeited other assets related to terrorist financing.

Yemen is ranked as the 154th most corrupt country out of 180 countries in Transparency International's 2009 Corruption Perception Index.

U.S.-related currency transactions:

No information available.

Records exchange mechanism with U.S.:

There is no mutual legal assistance treaty (MLAT) or extradition treaty between Yemen and the United States. The U.S. Embassy in Sana'a routinely passes requests for information and assistance to the Government of Yemen concerning terrorist financing and other issues, but seldom receives responses.

International agreements:

Yemen is not a member of the Egmont group of FIUs.

Yemen 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

Yemen 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 can be found here: http://www.menafatf.org/images/UploadFiles/YEMEN_EN.pdf

Recommendations:

While Law 1 of 2010 is a necessary first step in criminalizing money laundering and terrorist financing, the Yemeni government is now challenged with the implementation and enforcement of the law. The government should continue to develop an anti-money laundering regime that adheres to international standards. Banks and non-bank financial institutions should enhance their capacity to detect and report suspicious financial transactions to the FIU, including those related to terrorist financing. Even with the new law, the AMLIU needs substantial improvement of its operational capacity to effectively fulfill its responsibilities. The Government of Yemen (GOY) should investigate the abuse of alternative remittance systems such as hawala networks with regard to money laundering and terrorist financing. Law enforcement and customs authorities should also examine trade-based money laundering and customs fraud. The GOY should enact specific legislation with respect to forfeiture of the assets of those suspected of terrorism. Yemen should enforce sanctions and freeze the assets of Sheikh Abdul Majid Zindani, who was added to the UN 1267 Sanctions Committee's consolidated list in February 2004, as well as assets of any other designated individuals or entities. Yemen should ratify the UN Convention against Transnational Organized Crime. The GOY has no institutionalized coordination for terrorism matters among the different ministries and has yet to implement steps listed under the UN international terrorism protocols, to which Yemen is a party.

Zambia

Zambia is not a major financial center. The proceeds of narcotics transactions and money derived from public corruption are the major sources of laundered money. Human trafficking is also a problem. Money laundering takes place in both the formal financial sector and the non-bank financial sector. Money launderers in Zambia have used structuring, currency exchanges, money instruments, gambling, under-valuing assets, front businesses, and non-financial institutions to launder their proceeds. Other means include securities, debit/credit cards, physical transportation of cash, wire transfers, and false currency reporting. Further, some criminals use their proceeds to purchase luxury goods such as vehicles and real estate.

Offshore Center: No

Free Trade Zones: Yes

The Government of Zambia (GOZ) is developing four multi-facility economic zones (MFEZ) similar to free trade zones. A zone developed by the Chinese in the Copperbelt is currently operating, and includes primarily mining service companies. The Zambia Development Agency (ZDA), an agency under the Ministry of Commerce, Trade & Industry, regulates and monitors the MFEZ together with the Zambia Revenue Authority and the Ministry of Finance.

Criminalizes narcotics money laundering: Yes

Criminalizes other money laundering, including terrorism-related: Yes

The Prohibition and Prevention of Money Laundering Act of 2001 (PPMLA) makes money laundering a criminal offense in Zambia.

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 2007 criminalizes terrorist financing. Under the act, fundraising for terrorism, using or possessing terrorist property or funds, assisting in the retention or control of terrorist funds, and providing any support or service, including financial service, in support of terrorism is punishable by a prison term.

Know-your-customer rules: No

The PPMLA, which is the primary legislation that requires financial institutions to have in place anti-money laundering preventive measures, does not expressly set out any direct customer identification obligation.

Bank records retention: Yes

Under the PPMLA, regulated institutions are required to keep a "business transaction record" for all transactions for ten years. The record must include identities of the parties involved and the amount of the transaction. There is no statutory minimum. Regulated institutions must also report when the institution has reasonable grounds to suspect that a money laundering offense is being, has been, or is about to be committed. Covered institutions include any institution regulated by any supervisory authority including, the Bank of Zambia, the Registrar of Banks and Financial Institutions, the Registrar of Insurance, the Securities and Exchange Commissioner, the Commissioner of Lands, and the Registrar of Companies.

Suspicious transaction reporting: Yes

The PPMLA requires obligated entities to report suspicious transactions to regulators. Zambia does not currently have an operational financial intelligence unit (FIU). The GOZ hopes to have an operational FIU sometime in 2010. The FIU is slated to be housed in the Bank of Zambia.

Large currency transaction reporting: No

Narcotics asset seizure and forfeiture: Yes

Under the PPMLA, any property acquired through the "proceeds of crime" can be seized and forfeited to the state. In the act, property is defined as money and all other property, real or personal, movable or immovable including other intangible or incorporated property. Any asset or property seized under the PPMLA can be forfeited to the state if the accused is found guilty; or if the accused is found not guilty, or does not stand trial, and does not request the property be returned within six months. Through December 2, 2009, the Drug Enforcement Commission (DEC) seized six vehicles and two computers as a result of its financial crime investigations and forfeited the property to the state.

Narcotics asset sharing authority:

No information available.

Cross-border currency transportation requirements: Yes

Zambia requires that any cash carried in or out of the country in excess of $5,000 be declared. Declaration forms are used at land and air ports of entry. However, the Customs Department does not have adequate resources to detect currency at official border crossings or along porous borders.

Cooperation with foreign governments:

The Government of Zambia routinely honors information sharing requests.

U.S. or international sanctions or penalties: No

Enforcement and implementation issues and comments:

In the first 11 months of 2009, the Anti-Money Laundering Investigations Unit, housed within the DEC, received 123 cases of money laundering or other financial crime and made 40 arrests. During the same

period, 11 people were convicted, although ten of those were from the 2008 case load. DEC reports that financial crime cases take longer to conclude in the Zambian judicial system as most defendants are represented by counsel. None of the cases were related to terrorist financing, and most appear to be instances of petty corruption or theft rather than incidences of complex financial crime. In 2008, the DEC recovered $10 million in laundered money from commercial bank accounts.

U.S.-related currency transactions: No

Records exchange mechanism with U.S.:

There is a good record exchange mechanism with the U.S.

International agreements:

Zambia 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

Zambia is a member of the Eastern and Southern Africa Anti-Money Laundering Group, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here: http://www.esaamlg.org/userfiles/Zambia_Mutual_Evalution_Report.pdf

Recommendations:

The Government of Zambia should adopt explicit customer due diligence requirements for its covered financial institutions and designated non-financial businesses and professions. The GOZ should ensure its prosecutive, investigative and customs services have sufficient resources and training to be able to successfully investigate and prosecute financial crimes, including money laundering and terrorist financing. Similarly, its supervisory authorities should be provided with adequate resources and training. Zambia should establish a FIU and ensure it has sufficient resources and autonomy to function effectively. The GOZ should become a party to the UN Convention for the Suppression of the Financing of Terrorism.

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.